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Getty

Getty Oil Company

40th Annual Report 1968

GETTY OIL COMPANY ANNUAL REPORT 1968

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CONSOLIDATED HIGHLIGHTS

Including Getty Oil Company and wholly owned subsidiaries, and 100 percent of Mission Corporation and Skelly Oil Company

	1968	1967
FINANCIAL		
Sales and other revenues (including excise taxes)	$1,204,374,000	$1,165,388,000
Income before minority interest	118,057,000	140,655,000
Less minority interest in income of consolidated subsidiaries	(19,807,000)	(22,489,000)
Net income	98,250,000	118,166,000
Per average common share	4.75	5.72
Cash flow from operations	268,422,000	269,885,000
Per average common share	13.31	13.36
Capital expenditures	237,469,000	233,565,000
Working capital at December 31	229,453,000	244,179,000
Total assets at December 31	$1,784,870,000	$1,709,917,000
Company percentage interest at December 31		
In Mission Corporation (direct)	70.53	69.72
In Skelly Oil Company (indirect — through Mission)	50.29	49.51
Minority interest in Mission and Skelly at December 31	$ 237,150,000	$ 228,326,000
Common stockholders' equity at December 31	1,134,994,000	1,073,689,000
Per share	$ 56.79	$ 53.15

	1968			1967		
	Getty Oil and wholly owned subsidiaries	*Mission and Skelly*	*Consolidated*	*Getty Oil and wholly owned subsidiaries*	*Mission and Skelly*	*Consolidated*
OPERATING						
Net production (barrels daily)						
Crude oil	252,000	81,000	333,000	253,000	76,000	329,000
Natural gas liquids	28,000	35,000	63,000	27,000	28,000	55,000
Total	280,000	116,000	396,000	280,000	104,000	384,000
Natural gas production, thousand cubic feet daily	652,000	386,000	1,038,000	600,000	364,000	964,000
Refinery throughput, including processing for others, barrels daily	173,000	71,000	244,000	175,000	74,000	249,000
Sales of refined products, barrels daily	162,000	108,000	270,000	170,000	99,000	269,000

TO THE STOCKHOLDERS In this, the company's 40th annual report, the financial and operating data includes 100 percent of the operations of Mission Corporation and its subsidiary, Skelly Oil Company, which are fully consolidated with the data of Getty Oil Company and its wholly owned subsidiaries. Following this data, a short report is given on the operations of Mitsubishi Oil Company, in which Getty Oil and its subsidiaries hold a 49.7 percent interest.

On December 31, 1968, Getty Oil Company held a 70.53 percent interest in Mission Corporation, which in turn held a 71.31 percent interest in Skelly Oil Company. Getty Oil, through this relationship, held a 50.29 percent interest in Skelly. Provision for the minority interest in Mission and Skelly is incorporated in the consolidated financial statements which are an integral part of this report.

NET INCOME 1968 net income from domestic and foreign operations of Getty Oil Company and its wholly owned and consolidated subsidiaries was $98,250,000, or $4.75 per share on the average number of shares of common stock outstanding during the year. Consolidated net income in 1967 was $118,166,000, or $5.72 per share on the average number of shares of common stock that would have been outstanding, giving consideration to the pooling of interests resulting from the merger into Getty Oil Company of Mission Development Company and Tidewater Oil Company on September 30, 1967.

All earnings-per-share figures are stated after reduction of consolidated net income to cover payment of preferred stock dividends.

Included in the consolidated net income of both years is the company's share of Mission and Skelly earnings, which amounted to $19,023,000 in 1968 and $19,698,000 in 1967, a decrease of $675,000. The remainder of the consolidated net income decrease of approximately $20,000,000 from the 1967 level is due principally to several major fluctuations in the operations of Getty Oil and its wholly owned subsidiaries. During 1968 Getty Oil stepped up its exploratory expenditures for petroleum, uranium and other minerals; substantial portions of these costs are charged currently to income, instead of being capitalized. Furthermore, costs were higher and revenues lower in operations connected with the surface development of certain parcels of the company's 90,000 acres of fee lands in California adaptable to agricultural or other development. In 1968 the company revalued its international subsidiary tanker fleet with a resulting increase in depreciation

Continuing technological improvements by Getty Oil in the Kern River field have carried production expertise far beyond the era when an open trough, or look box, was the only method of observing well flow. In 1968 the company's extensive automatic well testing (AWT) program at Kern River was carried into the final phase with the installation of satellite stations which are to be coupled to the new computer-driven sampling, control and alarm network (SCAN).

of approximately \$6.7 million. While reducing consolidated net income, the latter action had no effect on cash flow. Certain expenses and costs applicable to the operations of prior years were charged against current income. Also, there were lesser gains in 1968 from nonrecurring sales of properties.

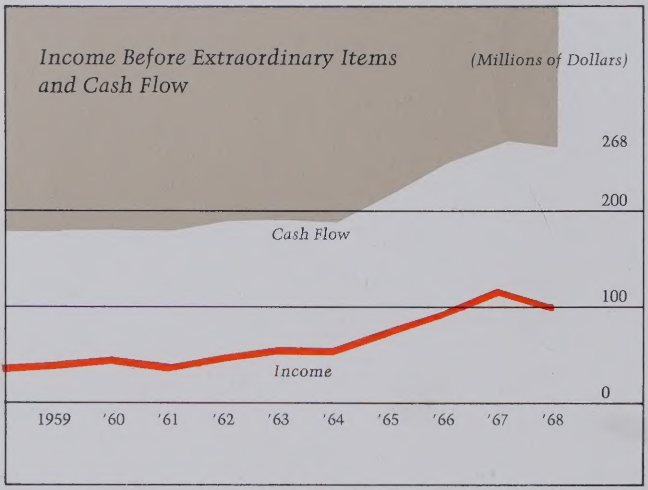
CONSOLIDATED SALES AND OTHER REVENUES Consolidated sales and other revenues in 1968 were \$1,204,374,000 compared with \$1,165,388,000 in 1967.

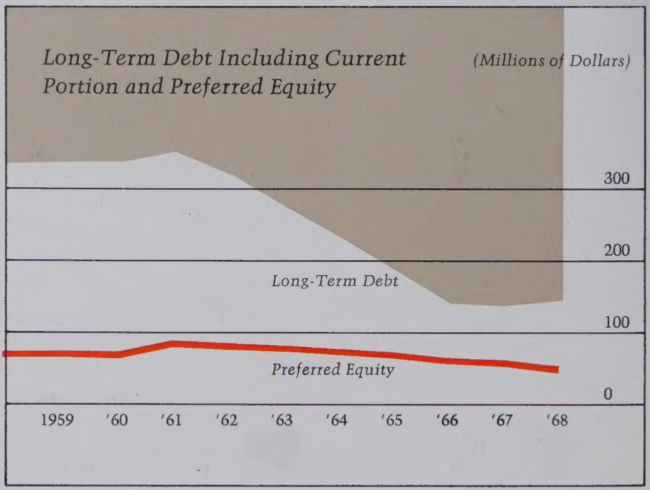
CONSOLIDATED CASH FLOW AND CAPITAL EXPENDITURES Cash flow from consolidated operations was \$268,422,000 in 1968, compared with \$269,885,000 in 1967. Capital expenditures were \$237,469,000 in 1968, compared with \$233,565,000 in 1967. About 61 percent, or \$145,556,000, of the 1968 capital budget was expended in exploration and production operations, compared with about 67 percent, or \$157,033,000, in 1967.

TOTAL ASSETS Total assets of the consolidated companies at December 31, 1968, amounted to \$1,784,870,000, an increase of \$74,953,000 over the \$1,709,917,000 at December 31, 1967.

LONG-TERM DEBT Long-term debt, including current portion, amounted to \$147,854,000 at the end of 1968, compared with \$139,713,000 at the end of 1967. Of these totals, the Getty Oil and wholly owned subsidiaries amounts were \$56,392,000 at 1968 year end and \$70,849,000 for 1967. The comparable amounts for Skelly were \$91,462,000 for 1968 and \$68,864,000 for 1967.

STOCKHOLDERS' EQUITY Consolidated common stockholders' equity increased \$61,305,000 during 1968 and amounted to \$1,134,994,000 at year end. This was equal to \$56.79 per share. At 1967 year end, common stockholders' equity was \$1,073,689,000, equal to \$53.15 per share outstanding. During 1968 dividends were paid in the amounts of \$14,544,000 on common stock and \$2,428,000 on preferred stock.



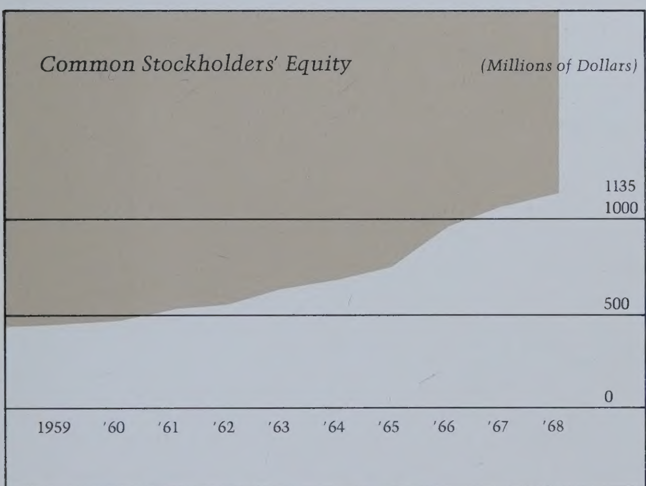


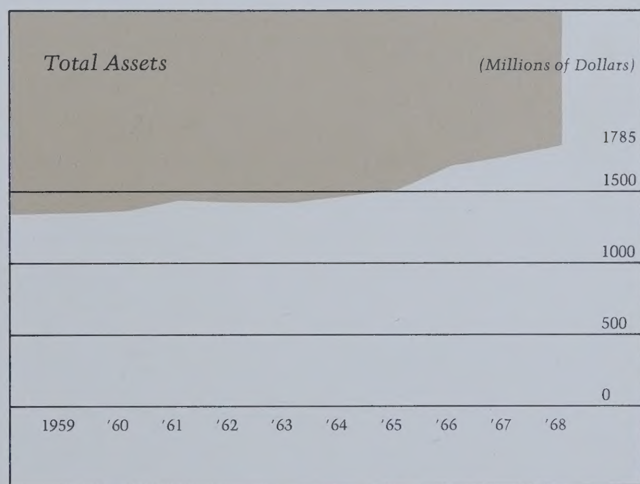
CONSOLIDATED PRODUCTION AND EXPLORATION Net average daily production in 1968 was 333,000 barrels of crude oil and 63,000 barrels of natural gas liquids, a total of 396,000 barrels of petroleum liquids. In 1967 net average daily production was 329,000 barrels of crude oil and 55,000 barrels of natural gas liquids, a total of 384,000 barrels of petroleum liquids.

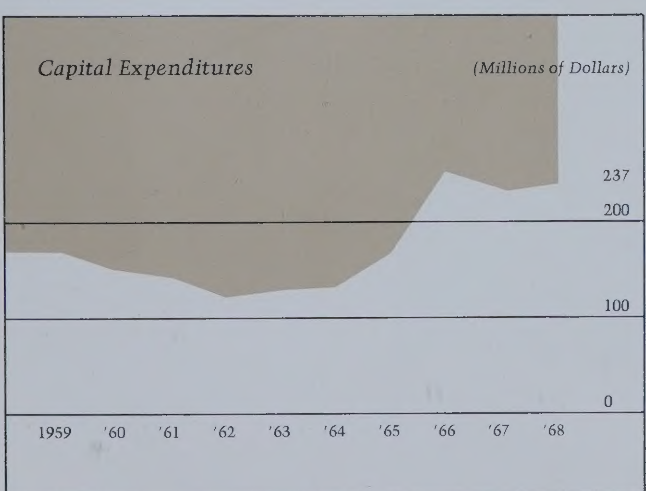
Net natural gas production averaged 1,038 million cubic feet daily in 1968, compared with 1967 production of 964 million cubic feet per day.

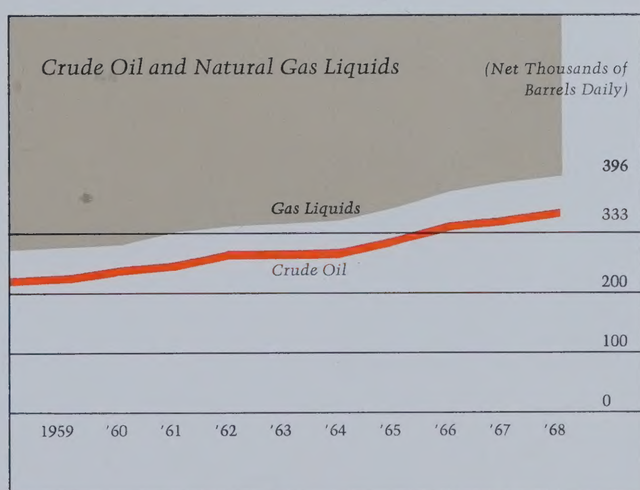
The consolidated companies participated in drilling 734 net wells in 1968, an 18 percent increase over the 624 net wells drilled in 1967. Of the 1968 net wells drilled, 644 were oil or gas producers and 90 were dry holes, a success ratio of 88 percent.

The consolidated companies own a 50 percent interest in Petrotomics Company, which mines and mills uranium ore in the Shirley Basin of Wyoming. Getty Oil is the operator for Petrotomics. In addition to the Petrotomics interest, the consolidated companies own other uranium reserves in the Shirley Basin on a joint-venture basis, and are exploring for uranium and other hard minerals in the western United States.









MANUFACTURING AND MARKETING Refineries of the consolidated companies processed 244,000 barrels per day in 1968, compared with 249,000 barrels per day in 1967. In 1968 consolidated sales of refined petroleum products were 270,000 barrels per day, compared with 269,000 barrels per day in 1967.

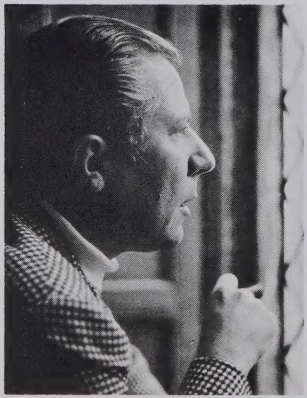
DIVERSIFICATION Getty Oil and Skelly extended their activities in uranium and the nuclear energy field with the acquisition of 34 percent of the capital stock of Nuclear Fuel Services, Inc., during 1968. NFS has nuclear fuel manufacturing facilities in Erwin, Tennessee. At West Valley, New York, NFS owns and operates the nation's first commercial nuclear fuel reprocessing plant, which recovers unused uranium and plutonium from spent fuel elements of utility power reactors. These materials can be reused in new fuel elements.

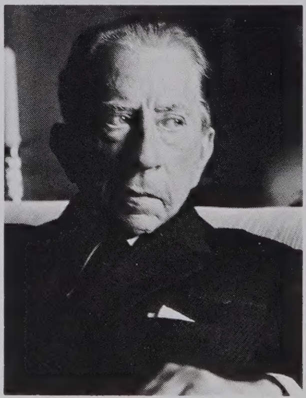
As a part of the transaction Getty Oil and Skelly, respectively, entered into stock subscription agreements with NFS whereby Getty Oil and Skelly will continue to purchase sufficient additional unissued NFS stock over a four-year period to raise their aggregate holdings in NFS stock to 49.97 percent. Getty Oil and Skelly have acquired the stock purchased to date, and will acquire the stock to be issued under the subscription agreement, on a two-thirds and one-third basis, respectively.

During the last quarter of 1968, Getty Oil and Skelly commenced negotiations for the purchase of the balance of the then outstanding capital stock of NFS, all of which was held by W. R. Grace & Co. In February, 1969, the negotiations concluded with an agreement between Getty Oil, Skelly and Grace, under the terms of which Getty Oil will acquire the NFS stock held by Grace, and Skelly will purchase a $6 million, seven percent subordinated convertible debenture to be issued by NFS.

George F. Getty II
Executive Vice President

J. Paul Getty
President





CONSOLIDATED STATEMENT OF INCOME

Including Getty Oil Company and wholly owned subsidiaries, and 100 percent of Mission Corporation and Skelly Oil Company

	1968	1967
REVENUES		
Sales, including excise taxes, and other operating revenues — *note 7*	$1,179,154,000	$1,135,553,000
Dividends, interest and other income	20,527,000	22,699,000
Gain on sale of assets	4,693,000	7,136,000
	1,204,374,000	1,165,388,000
COSTS AND EXPENSES		
Crude oil, products and merchandise costs and operating expenses	672,458,000	632,709,000
Exploration and dry hole costs and undeveloped lease amortization	50,396,000	44,032,000
Selling, general and administrative expenses	94,223,000	90,061,000
Taxes, including income taxes — *note 7*	143,767,000	151,074,000
Depreciation and depletion	117,360,000	98,119,000
Interest on indebtedness	8,113,000	8,738,000
	1,086,317,000	1,024,733,000
INCOME BEFORE MINORITY INTEREST	118,057,000	140,655,000
Less minority interest in income of consolidated subsidiaries	(19,807,000)	(22,489,000)
NET INCOME	$ 98,250,000	$ 118,166,000
EARNINGS PER AVERAGE SHARE OF COMMON STOCK	$ 4.75	$ 5.72

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

Including Getty Oil Company and wholly owned subsidiaries, and 100 percent of Mission Corporation and Skelly Oil Company

	1968	1967
SOURCE		
Income before minority interest	$118,057,000	$140,655,000
Depreciation and depletion	117,360,000	98,119,000
Amortization of undeveloped leases and dry-hole costs	33,005,000	31,111,000
Cash flow from operations	268,422,000	269,885,000
Decrease (increase) in working capital	14,726,000	(14,151,000)
Decrease in investments and long-term receivables	15,854,000	4,622,000
Dispositions of property, facilities, equipment, etc.	11,020,000	21,966,000
Total	$310,022,000	$282,322,000
DISPOSITION		
Capital expenditures, including dry-hole costs	$237,469,000	$233,565,000
Reduction of long-term debt (net)	15,168,000	2,938,000
Decrease (increase) in deferred income and noncurrent reserves	2,597,000	(4,624,000)
Purchase of preferred stock and common minority interest	31,953,000	34,674,000
Cash dividends paid or declared:		
Common stockholders	14,544,000	1,598,000
Preferred stockholders	2,428,000	2,571,000
Common minority stockholders of subsidiaries merged in 1967	—	5,322,000
Minority stockholders of consolidated subsidiaries	5,863,000	6,278,000
Total	$310,022,000	$282,322,000

The accompanying notes are an integral part of this statement.

CONSOLIDATED BALANCE SHEET

Including Getty Oil Company and wholly owned subsidiaries, and 100 percent of Mission Corporation and Skelly Oil Company

ASSETS	December 31 1968	1967
CURRENT ASSETS		
Cash	$ 40,589,000	$ 31,647,000
Marketable securities—at cost, which approximates market	111,278,000	128,090,000
Notes and accounts receivable, less reserves	183,749,000	168,297,000
Inventories, at or below cost		
Crude oil, refined and other products (principally last-in, first-out)	63,589,000	63,491,000
Materials and supplies	22,745,000	19,613,000
Other current assets	15,498,000	15,172,000
Total current assets	437,448,000	426,310,000
INVESTMENTS AND ADVANCES—*note 1*	67,138,000	72,321,000
LONG-TERM RECEIVABLES	85,367,000	96,038,000
PROPERTY, FACILITIES AND EQUIPMENT—at cost less accumulated depreciation, depletion and amortization—*note 2*	1,194,917,000	1,115,248,000
	$1,784,870,000	$1,709,917,000

LIABILITIES AND STOCKHOLDERS' EQUITY

	1968	1967
CURRENT LIABILITIES		
Current portion of long-term debt	$ 32,164,000	$ 8,855,000
Notes payable	15,257,000	23,521,000
Accounts payable and accrued liabilities	147,808,000	125,507,000
Income taxes	12,766,000	24,248,000
Total current liabilities	207,995,000	182,131,000
LONG-TERM DEBT—*note 3*	115,690,000	130,858,000
DEFERRED INCOME AND NONCURRENT RESERVES—*note 4*	39,466,000	42,063,000
Total liabilities	363,151,000	355,052,000
MINORITY INTEREST IN SUBSIDIARIES—*note 1*	237,150,000	228,326,000
STOCKHOLDERS' EQUITY—*notes 3 and 5*		
Preferred	49,575,000	52,850,000
Common	1,134,994,000	1,073,689,000
Total stockholders' equity	1,184,569,000	1,126,539,000
	$1,784,870,000	$1,709,917,000

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	1968		1967	
	Shares	*Amount*	*Shares*	*Amount*
PREFERRED STOCKHOLDERS' EQUITY — *note 5*				
Authorized preferred stock, $1.20 cumulative, $25 par value, at year end	2,679,083		2,679,083	
Issued at beginning of year	2,679,083	$ 66,977,000	2,760,917	$ 69,023,000
Treasury stock retired under issue provisions	(81,834)	(2,046,000)	(81,834)	(2,046,000)
	2,597,249	64,931,000	2,679,083	66,977,000
Stock held in treasury, at par value	(614,249)	(15,356,000)	(565,069)	(14,127,000)
Preferred stockholders' equity	1,983,000	$ 49,575,000	2,114,014	$ 52,850,000
COMMON STOCKHOLDERS' EQUITY —*notes 3 and 5*				
Authorized common stock, $4 par value, at year end	22,000,000		22,000,000	
Issued at beginning of year	20,221,374	$ 80,886,000	20,221,149	$ 80,885,000
Issued under stock options	474	2,000	225	1,000
Balance at end of year	20,221,848	80,888,000	20,221,374	80,886,000
Capital in excess of par value of capital stock				
Balance at beginning of year		69,022,000		68,948,000
Excess of proceeds over par value of stock issued under options		9,000		4,000
Excess of par value over cost of preferred stock purchased		579,000		70,000
Balance at end of year		69,610,000		69,022,000
Retained earnings reinvested				
Balance at beginning of year		924,221,000		815,546,000
Net income for the year		98,250,000		118,166,000
Cash dividends				
Preferred stock, $1.20 per share		(2,428,000)		(2,571,000)
Common stock, 1968, $.72 a share; 1967, $.10 a share		(14,544,000)		(1,598,000)
Minority stockholders of subsidiaries merged in 1967		—		(5,322,000)
Balance at end of year		1,005,499,000		924,221,000
Stock held in treasury, at cost	(236,848)	(21,003,000)	(21,848)	(440,000)
Common stockholders' equity	19,985,000	$1,134,994,000	20,199,526	$1,073,689,000

The accompanying notes are an integral part of this statement.

NOTE 1 — Principles of Consolidation

The accounts of all domestic and foreign wholly owned subsidiaries and those of the majority subsidiary, Mission Corporation, and that company's subsidiary, Skelly Oil Company, have been consolidated in the accompanying financial statements. At December 31, 1968, the company owned a 70.53 percent interest in Mission Corporation and that company in turn owned a 71.31 percent interest in Skelly Oil Company, resulting in a 50.29 percent equity of Getty Oil in Skelly; the comparable equity interests at December 31,1967, were, respectively, 69.72 percent, 71.01 percent, and 49.51 percent. The consolidated balance sheet of Getty Oil accordingly includes the accounts of Mission and Skelly, as follows:

	December 31 1968	1967
Skelly —		
Current assets	$119,478,000	$108,249,000
Investments, long-term receivables, and other assets	30,407,000	46,102,000
Property, facilities and equipment	485,904,000	451,470,000
Total assets	635,789,000	605,821,000
Current liabilities	81,296,000	67,938,000
Long-term debt	66,282,000	67,685,000
Deferred income	12,388,000	18,448,000
Total liabilities	159,966,000	154,071,000
Net assets of Skelly	475,823,000	451,750,000
Mission — Net assets, other than its interest in Skelly	963,000	904,000
Total net assets of Mission and Skelly	$476,786,000	$452,654,000

The equity of the minority stockholders of Mission and Skelly in the net assets of these companies was $237,150,000 at December 31, 1968, and $228,326,000 at the end of 1967; these amounts appear in the consolidated balance sheet on Page 11. The consolidated statement of income on Page 9 includes all of the revenues, costs and expenses of Mission and Skelly. The equity therein of the minority stockholders of Mission and Skelly ($19,807,000 for 1968 and $22,489,000 for 1967) has been deducted in arriving at the amount shown as net income.

The company's equity in the net assets of all of its consolidated subsidiaries exceeded the cost of its investment by $230,225,000 at December 31, 1968. This is a net amount of which $238,066,000 representing the share in the subsidiaries' earnings since dates of acquisition has been credited in consolidation to retained earnings; the balance of $7,841,000 representing the excess of cost over underlying book value of the investments at dates of acquisition, less amortization to date, has been charged to property, facilities and equipment. The company's investment in Vangas, Inc., a 71.21 percent owned subsidiary, has been adjusted to include its share of earnings retained by that company. Also included in the consolidated financial statements is the 50 percent interest of Skelly in the assets, liabilities and operations of an unincorporated joint venture.

Net foreign assets at the end of 1968 were $220,000,000 and net foreign income for 1968 was $11,000,000. Comparable income for 1967 was $20,000,000. Foreign subsidiaries' accounts reflected in the financial statements are expressed in United States dollars as follows: current assets and liabilities at the prevailing rates of exchange at December 31, 1968; investments and fixed assets at rates in effect when the assets were acquired; and the income accounts at the average rates of exchange during the year, except for depreciation charges which are calculated at rates in effect when the assets were acquired. The resulting gains or losses upon devaluation and conversion of foreign currencies are not significant and are included in net income.

Investments and advances included in net foreign assets above include a 49.7 percent interest in Mitsubishi Oil Company, a refiner and marketer of petroleum products in Japan. The company's equity at the end of 1968 in the net assets of Mitsubishi was approximately $8,217,000 in excess of the carrying value of its investment of $12,490,000. The company's share of the 1968 net income of Mitsubishi was approximately $1,737,000 as compared with dividends received of $1,104,000.

NOTE 2 — Property, Facilities and Equipment

The segregation of property, facilities and equipment at December 31, 1968, by major operating function is as follows:

	Gross Investment	Reserves	Net Investment
Exploration and production	$1,561,663,000	$ 922,606,000	$ 639,057,000
Transportation	187,053,000	86,443,000	100,610,000
Manufacturing	392,302,000	181,970,000	210,332,000
Marketing	217,442,000	91,034,000	126,408,000
Natural gasoline plants	129,824,000	61,913,000	67,911,000
Other	77,503,000	26,904,000	50,599,000
Total	$2,565,787,000	$1,370,870,000	$1,194,917,000

The net investment in undeveloped oil and gas properties and leaseholds included above is $79,871,000. The costs of undeveloped leaseholds are amortized over the terms of the leases and to provide, based on company experience, for abandonment of those which may be unproductive.

Depreciation and depletion of the cost of developed oil and gas properties, including intangible drilling costs which are capitalized, are provided on a unit-of-production basis. Exploration costs and dry hole losses are substantially charged currently to income. It is not practicable to summarize depreciation and amortization rates (which are generally applied on a straight-line basis) applicable to other assets because of the variety of properties and numerous rates used. These rates are reviewed annually and are revised as deemed necessary.

Properties retired or otherwise disposed of are removed from the property accounts. Gains and losses on disposition of complete units are reflected currently in income; however, if material, such gains and losses are classified as extraordinary items. Gains or losses on disposition or retirement of minor facilities or partial units are treated as adjustments of the reserve accounts. Replacement cost of major portions of facilities and all betterments are capitalized. Expenditures for maintenance, repairs and minor replacements are charged to operating expenses currently.

NOTE 3 — Long-term Debt

The long-term debt at December 31, 1968 and 1967, consisted of the following obligations:

	1968	1967
Getty Oil Company		
Sinking fund debentures, 3½%, due April 1, 1986, net of $20,489,000 of debentures held in treasury at December 31, 1968, which may be used to satisfy semiannual sinking fund requirements of $1,250,000 beginning in October, 1969	$ 29,511,000	$ 33,176,000
Tanker financing notes, 3⅝ to 5% payable in monthly and quarterly installments over 6 to 12 years	16,622,000	18,345,000
Bank notes, 3¼%, payable $5,000,000 semiannually through July, 1969	—	10,000,000
Other	3,275,000	1,652,000
	49,408,000	63,173,000
Skelly Oil Company		
Industrial revenue bonds, 3.8 to 5.5%, due 1970-1998	43,965,000	30,000,000
Notes payable, 6 to 6¾%, due 1970-1971	16,800,000	31,100,000
Other	5,517,000	6,585,000
	66,282,000	67,685,000
Total	$115,690,000	$130,858,000

In addition, indebtedness maturing within one year of $32,164,000 at December 31, 1968, and $8,855,000 at December 31, 1967, has been included in current liabilities.

The bank notes credit agreement and preferred stock issue contain provisions which restrict the payment of cash dividends on common stock and the purchase or redemption of such stock. At December 31, 1968, approximately $185,000,000 of consolidated retained earnings were restricted under the most restrictive of these provisions.

NOTE 4 — Deferred Income and Noncurrent Reserves

	December 31 1968	1967
Sales of future oil production	$14,191,000	$19,510,000
Gain on sale of hotel property	10,467,000	10,467,000
Noncurrent reserves and other deferred income	14,808,000	12,086,000
Total	$39,466,000	$42,063,000

It is anticipated that the future oil production sold will be substantially produced during 1969 and will be recorded in income as produced.

The gain on the sale of the hotel property is recorded on the installment basis as payments on the principal are received; payments on principal have been waived until at least 1974.

NOTE 5 — Capital Stock

Under the sinking fund provisions of the preferred stock, the company is required to redeem at its $25 par value 40,917 shares on each January 10 and July 10. Alternatively, the sinking fund provisions may be satisfied from treasury stock previously purchased on the open market and, accordingly, 81,834 treasury shares were retired during 1968.

The only outstanding option to purchase Getty Oil common stock (474 shares) was exercised in 1968.

In addition, at December 31, 1968, Skelly had options outstanding for the purchase of 4,875 shares of its common stock under the terms of a Restricted Stock Option Plan. These options are exercisable at prices ranging from $22.80 to $28.80 per share and expire at varying dates through 1972. Under the provisions of the plan, as amended, additional options may be granted until 1970 for 20,000 shares at prices not less than the fair market value on the dates such options are granted. During 1968 and 1967, no options were granted, but options previously granted were exercised for 11,500 shares and 10,875 shares, respectively.

NOTE 6 — Pensions

The companies have several pension and retirement plans which provide for the funding of the costs of prior and current service through trust funds. The total pension expense was $9,023,000 in 1968 and $7,891,000 in 1967, which includes amortization of prior service cost over periods ranging from 10 to 30 years. Skelly Oil Company, a consolidated subsidiary, amended its retirement plan in 1967 to provide for increased bene-

fits to employees. The past service costs applicable to this amendment will be spread over the average future service lives of all employees, actuarially computed under the aggregate method. The plans are entirely voluntary and may be modified or discontinued at any time by the companies. The totals of the pension funds as of December 31, 1968, are sufficient to cover the actuarially computed value of vested benefits under the plans.

NOTE 7—Taxes, Including Income Taxes

	1968	1967
Operating taxes		
Property	$ 16,796,000	$ 15,438,000
Severance and production	14,032,000	13,265,000
Payroll and other	5,008,000	5,284,000
	35,836,000	33,987,000
Excise taxes	93,383,000	94,061,000
Income taxes		
Federal and state		
Current income taxes	6,874,000	19,801,000
Deferred income taxes	5,108,000	(911,000)
Investment tax credit	(5,270,000)	(5,688,000)
Foreign income taxes	7,836,000	9,824,000
	14,548,000	23,026,000
Total	$143,767,000	$151,074,000

Excise taxes collected have been included in sales and other operating revenues. Provision is made for applicable taxes on dividends, including those from subsidiaries, as received.

NOTE 8 — Litigation

The United States, through the Department of Justice, filed suit in 1966 under the antitrust laws to block the sale of the former Tidewater's western marketing and manufacturing assets and certain related transportation facilities to Phillips Petroleum Company. The sale was completed following the U. S. District Court's denial of the Department of Justice's motion for a temporary restraining order. Subsequently a motion for a preliminary injunction by the Department of Justice was also denied. The Department has stated that it intends to press the case. No trial date has been set.

The Federal Power Commission's assertion of jurisdiction over the 1961 sale of certain federal leases in Ship Shoal Block 176, offshore Louisiana, by the CAGC group, in which the company has a 25 percent interest, was sustained by the United States Supreme Court in June, 1967. A proposal for modification of the terms of the sale to achieve a transaction which the CAGC group and the purchasing company believe should be acceptable to the commission has been submitted for the commission's approval. No action has been taken by the commission on the proposal. If the proposal is approved, the ultimate consideration to be received by the company in respect of such sale will be reduced. The effect of the proposed settlement on the company's income has been recorded in the 1968 accounts and, in anticipation of the acceptance of the proposed settlement, the balance of the gain on the 1961 sale, which was previously carried as deferred income, has been offset against the related note receivable.

NOTE 9 — Commitments and Contingent Liabilities

Minimum annual rentals under long-term leases, principally for the crude oil pipeline in California, tankers and service stations, but excluding oil and gas leases, are estimated to be $16,300,000 in 1969. The net fixed annual rentals on these leases are not expected to differ significantly through 1971; thereafter, it is estimated that the level of annual rentals will be reduced to about $12,000,000 as the result of the expiration of various lease agreements which are presently anticipated to expire in 1972.

There are contingent liabilities with respect to other pending litigation, claims, commitments, etc., the settlement of which will not, in the opinion of the companies concerned, result in any material loss.

AUDITORS' REPORT

To the Stockholders and Board of Directors,
Getty Oil Company:

We have examined the consolidated balance sheet of Getty Oil Company (a Delaware corporation) and subsidiaries as of December 31, 1968 and 1967, and the related statements of income, stockholders' equity, and source and disposition of funds for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above mentioned financial statements present fairly the consolidated financial position of Getty Oil Company and subsidiaries as of December 31, 1968 and 1967, and the results of their operations and the source and disposition of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Los Angeles, California,
February 14, 1969.

TEN-YEAR CONSOLIDATED FINANCIAL STATISTICS

Including Getty Oil Company and wholly owned subsidiaries, and 100 percent of Mission Corporation and Skelly Oil Company

(Dollar amounts in thousands except per share amounts)

	1968	1967	1966
FINANCIAL			
Sales and other revenues (including excise taxes)	$ 1,204,374	$ 1,165,388	$ 1,236,424
Income before extraordinary items[1]	98,250	118,166	92,278
Per average common share[2]	4.75	5.72	4.42
Net income[1]	98,250	118,166	206,918
Per average common share[2]	4.75	5.72	10.09
Cash flow from operations	268,422	269,885	248,143
Per average common share[2]	13.31	13.36	12.28
Net working capital[3]	229,453	244,179	230,028
Current ratio[3]	2.10 to 1	2.34 to 1	1.95 to 1
Property, facilities and equipment, net[3]	1,194,917	1,115,248	1,019,826
Capital expenditures			
Exploration and production	145,556	157,033	140,301
Manufacturing	33,110	9,190	53,553
Marketing	19,612	16,331	18,969
Transportation, natural gasoline plants and other	39,191	51,011	29,531
Total	237,469	233,565	242,354
Total assets[3]	1,784,870	1,709,917	1,675,903
Long-term debt, including current portion[3]	147,854	139,713	142,700
Company percentage interest in			
Mission Corporation (direct)[3]	70.53	69.72	64.77
Skelly Oil Company (indirect, through Mission)[3]	50.29	49.51	46.04
Minority interest in Mission Corporation and Skelly Oil Company[3]	237,150	228,326	229,730
STOCKHOLDERS			
Preferred stockholders			
Number of stockholders[3]	7,207	7,085	8,050
Stockholders' equity[3]	49,575	52,850	56,756
Cash dividends	2,428	2,571	3,008
Common stockholders			
Number of stockholders	21,138	21,205	Not applica
Shares outstanding[4]	19,985,000	20,199,526	20,201,149
Stockholders' equity			
Amount[3]	1,134,994	1,073,689	965,114
Per share[3][4]	56.79	53.15	47.78
Cash dividends	14,544	1,598[5]	1,598

(1) Adjusted for minority interest in Tidewater (merged in 1967) not accounted for on a pooling of interests basis.

(2) Based on the weighted average number of shares outstanding during each year giving effect to the pooling of interests and adjusted for stock dividends.

1965	1964	1963	1962	1961	1960	1959
$ 1,200,182	$ 1,145,718	$ 1,118,828	$ 1,100,479	$ 1,063,066	$ 1,021,814	$ 999,824
74,815	54,058	55,018	47,824	39,644	40,595	39,753
3.53	2.50	2.55	2.19	1.78	1.87	1.82
75,996	65,977	58,927	50,951	39,644	42,056	43,671
3.59	3.09	2.74	2.34	1.78	1.94	2.01
220,848	189,106	191,354	189,653	179,841	179,654	179,399
10.93	9.36	9.47	9.39	8.90	8.89	8.87
180,195	204,380	183,212	151,867	168,174	163,599	167,611
2.06 to 1	2.37 to 1	2.27 to 1	1.90 to 1	1.98 to 1	2.13 to 1	2.32 to 1
1,088,375	1,051,563	1,042,436	1,052,689	1,061,199	1,043,691	1,011,726
116,951	86,269	67,691	70,093	91,866	94,296	99,612
9,713	11,378	27,068	29,999	25,404	16,947	18,137
18,924	16,676	15,947	17,035	27,091	25,965	25,796
21,744	24,651	27,827	13,739	15,924	28,635	34,447
167,332	138,974	138,533	130,866	160,285	165,843	177,992
1,514,436	1,480,842	1,439,497	1,444,222	1,467,834	1,394,893	1,359,362
187,876	234,448	274,846	322,351	349,928	335,233	336,651
61.70	58.84	56.54	55.71	53.33	52.11	49.54
43.39	41.22	39.12	36.02	32.92	31.45	29.42
283,463	279,150	277,963	309,966	337,492	371,076	377,064
8,673	9,247	10,145	10,209	10,659	7,443	7,421
70,113	72,364	74,390	75,667	77,520	59,278	61,613
3,396	3,497	3,595	3,665	3,754	2,889	2,984
lue to merger						
20,201,149	20,201,149	20,201,149	20,201,149	20,204,149	20,204,149	20,088,127
762,802	691,800	630,918	577,184	529,937	494,047	455,106
37.76	34.25	31.23	28.57	26.23	24.45	22.51
1,598	1,598	1,598	—	—	—	—

(3) At December 31.

(4) Represents or based on the number of shares outstanding at each year end giving effect to the pooling of interests.

(5) Excludes cash dividends of $5,322,000 paid to common minority stockholders of subsidiaries merged in 1967.

TEN-YEAR CONSOLIDATED OPERATING STATISTICS

Including Getty Oil Company and wholly owned subsidiaries, and 100 percent of Mission Corporation and Skelly Oil Company

	1968	1967	1966
EMPLOYEES			
Number of employees[1]	12,974	12,940	13,053
Payroll, thousands of dollars	104,650	96,939	104,740
EXPLORATION/PRODUCTION			
Production, daily			
Crude oil, barrels	332,451	328,790	318,255
Natural gas liquids, barrels			
Getty Oil Company[2]	28,548	27,082	27,343
Skelly Oil Company[3]	35,037	27,834	24,892
Total	396,036	383,706	370,490
Natural gas, thousand cubic feet	1,037,837	964,017	889,661
Recoverable reserves, net[1] [4] [5]			
Crude oil, thousands of barrels	2,069,000	2,083,000	1,999,000
Natural gas liquids, thousands of barrels	94,000	117,000	109,000
Total	2,163,000	2,200,000	2,108,000
Natural gas, billion cubic feet	3,400	3,361	3,342
Producing wells owned, net[1]	13,161	13,209	13,172
Wells drilled, net			
Producing	644	532	519
Dry	90	92	88
Total	734	624	607
Acreage holdings, net[1]			
Producing	1,219,000	1,187,000	1,156,000
Prospective			
Oil and gas	4,343,000	3,308,000	3,932,000
Minerals	424,000	357,000	219,000
Total	4,767,000	3,665,000	4,151,000
Sales			
Crude oil, thousands of barrels	186,985	175,282	152,004
Natural gas, million cubic feet	392,275	365,021	337,807
MANUFACTURING			
Refinery throughput: own account, thousands of barrels	75,032	76,471	99,548
others, thousands of barrels	14,218	14,128	13,621
MARKETING			
Sales of petroleum products, thousands of barrels	98,948	98,286	120,633
Bulk plants, owned or leased[1]	513	529	539
Service stations, owned or leased[1]	2,700	2,692	2,844

(1) *At December 31.*

(2) *Natural gas liquids production of Getty Oil Company and wholly owned subsidiaries represents total quantities recovered from natural gas processed from Getty Oil lease interests.*

(3) *Natural gas liquids production of Skelly Oil Company represents quantities produced by gas processing plants in which Skelly has an ownership interest, multiplied by Skelly's percentage interest in the respective plants. Only a portion of these liquids is attributable to Skelly lease production.*

(4) *Recoverable reserves are presented above for Getty Oil Company and wholly owned subsidiaries. Reserve estimates are principally those of DeGolyer and MacNaughton, with minor amounts in 1965 and prior years included based upon estimates of company engineers. Natural gas liquids reserves include condensate and represent the net quantity of liquids allocable to the company's lease interests in gas delivered to processing plants.*

(5) *Net proved reserves of Skelly Oil Company are not included in the above statistics. In Skelly's 1968 Annual Report the net proved reserves of that company at December 31, 1968, as estimated by DeGolyer and MacNaughton, were presented as follows:*

1965	1964	1963	1962	1961	1960	1959
14,840	14,703	14,732	15,056	15,258	15,584	16,606
109,049	105,882	105,500	102,500	102,180	98,942	101,716
294,627	276,918	271,358	272,000	258,457	241,188	233,604
26,394	26,491	25,906	23,400	21,419	17,915	16,734
24,781	23,302	23,235	23,099	23,464	22,203	21,705
345,802	326,711	320,499	318,499	303,340	281,306	272,043
853,548	820,634	771,036	713,301	700,572	708,775	680,124
1,887,000	1,446,000	1,292,000	1,231,000	1,343,000	1,333,000	1,356,000
114,000	122,000	108,000	114,000	121,000	111,000	108,000
2,001,000	1,568,000	1,400,000	1,345,000	1,464,000	1,444,000	1,464,000
3,150	3,221	3,244	3,369	3,536	3,489	3,537
13,023	12,575	12,159	12,222	12,292	11,750	11,621
347	324	361	328	387	581	637
88	84	77	89	79	89	142
435	408	438	417	466	670	779
1,129,000	1,077,000	1,064,000	1,008,000	1,019,000	983,000	982,000
4,281,000	4,492,000	5,410,000	6,669,000	7,204,000	7,784,000	8,627,000
109,000	186,000	2,155,000	13,000	4,000	3,000	13,000
4,390,000	4,678,000	7,565,000	6,682,000	7,208,000	7,787,000	8,640,000
124,276	109,128	99,003	92,708	82,265	75,491	70,954
326,140	316,637	299,843	276,772	266,674	268,073	258,137
111,267	114,191	116,281	124,086	131,409	123,783	114,443
12,429	10,078	14,914	15,680	2,932	1,570	2,256
129,758	130,852	128,662	133,042	130,854	121,812	106,872
781	797	807	819	822	800	798
5,034	5,141	5,250	5,222	5,232	5,027	4,683

(a) Recoverable from Skelly lease interests	
Crude oil and condensate, millions of barrels	426.5
Natural gas liquids, millions of barrels	8.4
Total liquids	434.9
Natural gas, billions of cubic feet	1,871.0
(b) Natural gas liquids recoverable from Skelly plant interests, millions of barrels	134.2

Natural gas liquids reserves recoverable from lease interests represent the net quantity of liquids allocable to Skelly's lease interests in gas committed to processing plants.

The major portion of the natural gas liquids reserves recoverable from plant interests is committed to Skelly under purchase contracts of varying terms with other gas producers. The reserves in this category represent the quantities committed to the gas processing plants in which Skelly has an ownership interest, multiplied by Skelly's percentage ownership interest in the respective plants, but without reduction for the portion of the liquids (typically 25 or 30 percent) attributable to the other gas producers' lease interests. Only a minor portion of these reserves is recoverable from Skelly leases; the portion attributable to such leases is included in the lease interest reserve category.

Reserve data on a consistent basis is not available for prior years.

PRODUCTION From 1968 worldwide operations Getty Oil Company and its wholly owned subsidiaries produced a net daily average of 252,000 barrels of crude oil and 28,000 barrels of natural gas liquids, a total of 280,000 barrels of petroleum liquids. In 1967 the net average daily production was 253,000 barrels of crude oil and 27,000 barrels of natural gas liquids, a total of 280,000 barrels of petroleum liquids.

Natural gas production averaged 652 million cubic feet per day during the year, compared with average production of 600 million cubic feet per day in 1967.

In its operations in the United States during 1968 the company's net average daily production was 165,000 barrels of crude oil and 28,000 barrels of natural gas liquids, a total of 193,000 barrels of petroleum liquids. 1967 net average daily production was 158,000 barrels of crude oil and 27,000 barrels of natural gas liquids, a total of 185,000 barrels of petroleum liquids.

In 1968 Getty Oil drilled 609 net development wells, compared with 472 net development wells drilled in 1967.

In California 502 net development wells were drilled, primarily in additional expansion of the company's extensive thermal recovery operations in the San Joaquin Valley. The total includes 499 producing wells against only three noncommercial abandonments. Twenty-one additional wells were redrilled or deepened and 65 wells were recompleted by salvage perforating.

Development drilling accounted for 78.98 net development wells in the midcontinent areas of the United States, including offshore in the Gulf of Mexico. The total includes 55.56 net producing wells and 22.42 net dry holes.

Through the eastern part of Texas, particularly in Freestone County, Getty Oil and another company have been engaged in a successful joint exploration and development drilling program along the Jurassic-Cretaceous trend. Getty Oil is the operator for the project. Gas discoveries in the Teas and Rischers Store fields in this trend were recorded in 1967. In 1968 development of the Teas field continued with completion of six natural gas wells—four in the Smackover formation and two in the Rodessa formation.

The Rischers Store field was developed with four natural gas wells completed and one drilling at year end. Getty Oil and the company with which it has been participating in the venture acquired an additional interest position in a 3,000-acre unit in the Rischers Store field, with Getty Oil holding 759 net acres.

Getty Oil as operator for itself and other companies has started construction of a natural gas sweetening and sulfur recovery plant, with a designed throughput capacity of 12 million cubic feet of gas per day, to process the gas from the Teas and Rischers Store fields. Meanwhile the company is drilling additional exploratory wells in the area.

In the Gomez field, Pecos County, West Texas, the deepest well the company has drilled was completed as a gas producer in the Ellenburger dolomite formation at 22,736 feet. The well had a calculated open flow potential of 26 million cubic feet per day.

At midyear, sales of natural gas commenced from four wells in the Crittendon field, Winkler County, West Texas. The field is in the development stage following the Wolfe unit discovery in 1966. The open flow potential of the four wells exceeds 400 million cubic feet of gas per day. Getty Oil holds a 17 percent interest in one well and 19 percent interests in three wells.

ADDITIONAL RECOVERY [illegible] During the years, significant increases in Getty Oil's net reserves and production of crude oil, natural gas liquids and natural gas have been attained by the successful application of additional recovery techniques, including thermal recovery, gas

repressuring, attic oil recovery and waterflooding. In 1968 the company continued to develop and improve techniques for increasing the recovery of hydrocarbons from producing fields.

Just before the end of 1968, the initial stage was completed in the North McElroy waterflood unit in Upton and Crane counties, in West Texas. Thirty-five production and testing satellites serving 531 producing wells were placed in operation. Water injection was started in the spring of 1968 and by year end an average of about 50,000 barrels of water per day was being injected. Work to prepare the second stage is under way, and the unit is expected to be completed and under full waterflood in 1969. As a result of this waterflood, recovery from the unit ultimately is expected to increase by 137 million barrels of crude oil. Getty Oil, with a 16.8 percent working interest, is operator of the unit.

In Cochran County, West Texas, work is progressing on converting and expanding the C. S. Dean A unit from a line drive to a five-spot pattern waterflood. On completion of the program, the unit will contain 81 injector and 88 producing wells. Getty Oil holds a 23.5 percent interest and is operator of the unit.

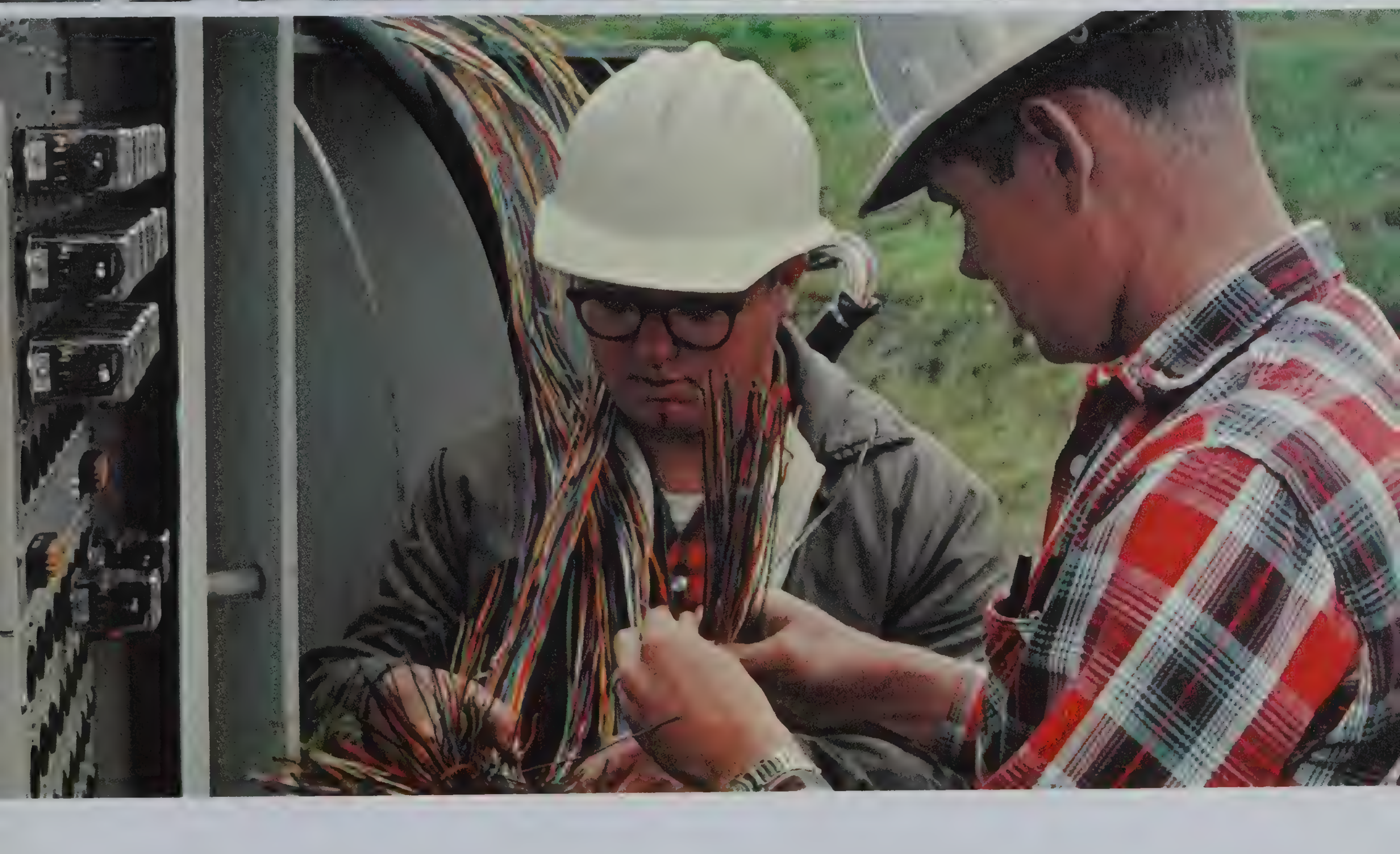
In Los Angeles County, California, unitization of the Sesnon and Frew zones in the Aliso Canyon field was completed. These zones constitute the major producing horizons of the field. The unitization enables the company, as operator, to produce additional hydrocarbons more profitably.

In the Ventura Avenue field, Ventura County, California, Getty Oil has entered into an agreement under which it may unitize the C Block zones in the eastern portion of the field. The agreement permits the company to begin an experimental waterflood program and to unitize the C Block zones if the experimental program produces results that are satisfactory. The waterflood can be extended to five separate tracts totaling approximately 1,300 acres.

In thermal recovery operations in the San Joaquin Valley, California, 16 additional field steam generators were installed during the year. At year end, 122 steam generators were in use by Getty Oil, providing stimulation to 2,870 wells by cyclic injection or steam displacement. Thermal production was estimated to average 45,460 barrels per day of heavy gravity crude oil in 1968.

Preparations were being completed at year end in the Kern River field for installation of the final electronic control phase of a computer-controlled automatic well testing (AWT) system which is one of the largest in the petroleum industry. The AWT system monitors the operating performance of more than 2,200 wells and 100 steam generators. Installation of the system began in 1966. The computer, scheduled to be placed in use during the first half of 1969, is a key component of the AWT operation, providing the sampling, control and alarm network (SCAN). About 38 miles of cable have been installed to handle the telemetry between the computer and 90 AWT satellite stations. The SCAN system will collect, store and compare data on steam generators and producing wells through the satellite stations, eliminating many functions previously performed manually and releasing company personnel for more productive work. The computer-driven AWT system is expected to provide a stringent analysis of thermal well performance and help achieve the most profitable balance of crude oil production from steam injected into the producing horizon.

To provide fresh water increasingly demanded for conversion to steam in the thermal recovery operations, and in the interest of water conservation in the San Joaquin Valley, Getty Oil has installed a water reclamation plant at the Kern River field. The plant which went on stream in July, 1968, is designed to clean and soften 200,000 barrels per day of water recovered from the oil-producing sand.



NATURAL GAS PROCESSING COMPLEX During 1968 an 81-mile pipeline extension running from Venice to Lapeyrouse, Louisiana, was added to the South Louisiana natural gas liquids transportation-processing complex in which Getty Oil owns a one-third interest. Liquids now move 188 miles through an eight-inch pipeline to a jointly owned fractionation plant at Breaux Bridge, Louisiana. An addition to the Breaux Bridge plant capacity was completed in 1968 and is scheduled to go on stream early in 1969. The expansion doubled plant capacity to 50,000 barrels per day.

This system is fed by natural gas processing plants along the pipeline, including those in which the company holds an interest. Getty Oil owns an 83 percent interest in the West Bastian Bay gas processing plant, which was completed in 1968. This plant is of the latest cryogenic design and has a throughput capacity of 150 million cubic feet of gas and 3,000 barrels of liquids per day. At Getty Oil's gas processing plant in Venice, construction was begun during the year to expand capacity from 55 to 65 million cubic feet of gas per day and to change equipment to increase production of liquefied natural gases from 1,065 to 2,200 barrels per day. Completion of the work is expected early in 1969.

FOREIGN PRODUCTION Foreign crude oil production averaged 87,000 barrels per day during 1968, 8,000 barrels per day less than 1967 levels, principally due to a decrease of crude oil production in the Saudi Arabia-Kuwait Neutral Zone and the decrease of the Getty Petroleum Company share of production from the Rhourde El Baguel and Messdar fields in Algeria because of the sale of 51 percent of its interest to Sonatrach, the Algerian government petroleum company.

[illegible]BIAN DIVISION Getty Oil Company holds an undivided one-half interest in the petroleum exploration, development and production operations in the Saudi Arabia-Kuwait Neutral Zone, under a concession agreement with the Government of the Kingdom of Saudi Arabia.

The South Umm Gudair field was placed on production during 1968 following completion of field development which began in 1967. Under the development program, 17 wells were drilled and a 16-inch pipeline to the Wafra gathering center was installed. Initial net production for Getty Oil from the field averaged 30,000 barrels per day.

At year end the total number of wells in the Neutral Zone stood at 525. Getty Oil owns 262.5 net wells. Net crude oil production for Getty Oil during the year averaged 63,400 barrels per day, compared with 68,800 barrels per day in 1967.

[illegible] Getty Oil's interest in Iranian Consortium oil production was 18,800 barrels per day in 1968, an increase of 1,500 barrels per day over 1967.

[illegible] During 1968 the 5.635 percent Getty Petroleum Company share of crude oil production from the Rhourde El Baguel and Messdar fields averaged 4,700 barrels per day, compared with 9,100 barrels per day in 1967, based on the previous 11.5 percent interest in production.

RESERVES The net domestic and foreign crude oil and natural gas liquids reserves of Getty Oil and wholly owned subsidiaries at December 31, 1968, were estimated at 2,163 million barrels, compared with 2,200 million barrels at December 31, 1967. Natural gas reserves were estimated at 3,400 billion cubic feet at the end of 1968, compared with the 1967 year-end estimate of 3,361 billion cubic feet.

EXPLORATION During 1968 the company participated in 30 successful wells, with a success ratio of 28 percent. Net company interest in the completions equals 14 net wells out of 51 net exploratory wells drilled.

The company engaged in exploratory drilling in California, Colorado, Louisiana, Mississippi,

New Mexico, Oklahoma, Texas, in the Gulf of Mexico, offshore of Louisiana and Texas, and in Algeria and Iran.

Exploration along the Jurassic-Cretaceous trend in East Texas, near the earlier Teas and Rischers Store discoveries, continued successfully in 1968.

The No. 1 M. D. Bloxom, a Freestone County exploratory well in which the company holds a 34.68 percent working interest, was nearing completion as a gas discovery in the Smackover formation at year end. After acid stimulation early in 1969, the well flowed at the rate of 6.75 million cubic feet of gas per day on a 19/64-inch choke with a flowing tubing pressure of 2,950 pounds per square inch. Perforated intervals in the Smackover formation are from 11,256 to 11,678 feet. The wildcat is located on a seismic feature showing structural separation from the Teas field production, some two miles northeast. The well is being drilled on a 2,500-acre unit.

Along the eastern side of the Jurassic trend, in Clarke County, Mississippi, the company has taken a leading role in the discovery and development of the East Nancy and Pachuta Creek fields.

Since the discovery of the two new fields in the spring of 1968, the company has participated in drilling 18 wells — eight productive and two dry holes in East Nancy and six productive and two dry holes in Pachuta Creek. Net production to the company from these wells, in which interests range from 20 to 50 per cent, was 1,020 barrels per day of crude oil at year end.

A gas discovery in South Texas, the No. 1 Texas State Tract 143, in which Getty Oil holds a 100 percent working interest, tested at the rate of 1.7 million cubic feet of gas per day plus 115 barrels of liquids per million cubic feet of gas. The flow was through a 10/64-inch choke with flowing tubing pressure of 3,702 pounds per square inch. The perforated interval is 11,697 to 11,712 feet in the L-18 sand of the Middle Frio formation. The discovery was drilled on a 640-acre lease on a farm-in basis. Getty Oil has leased another 640 acres in two tracts adjacent to the discovery.

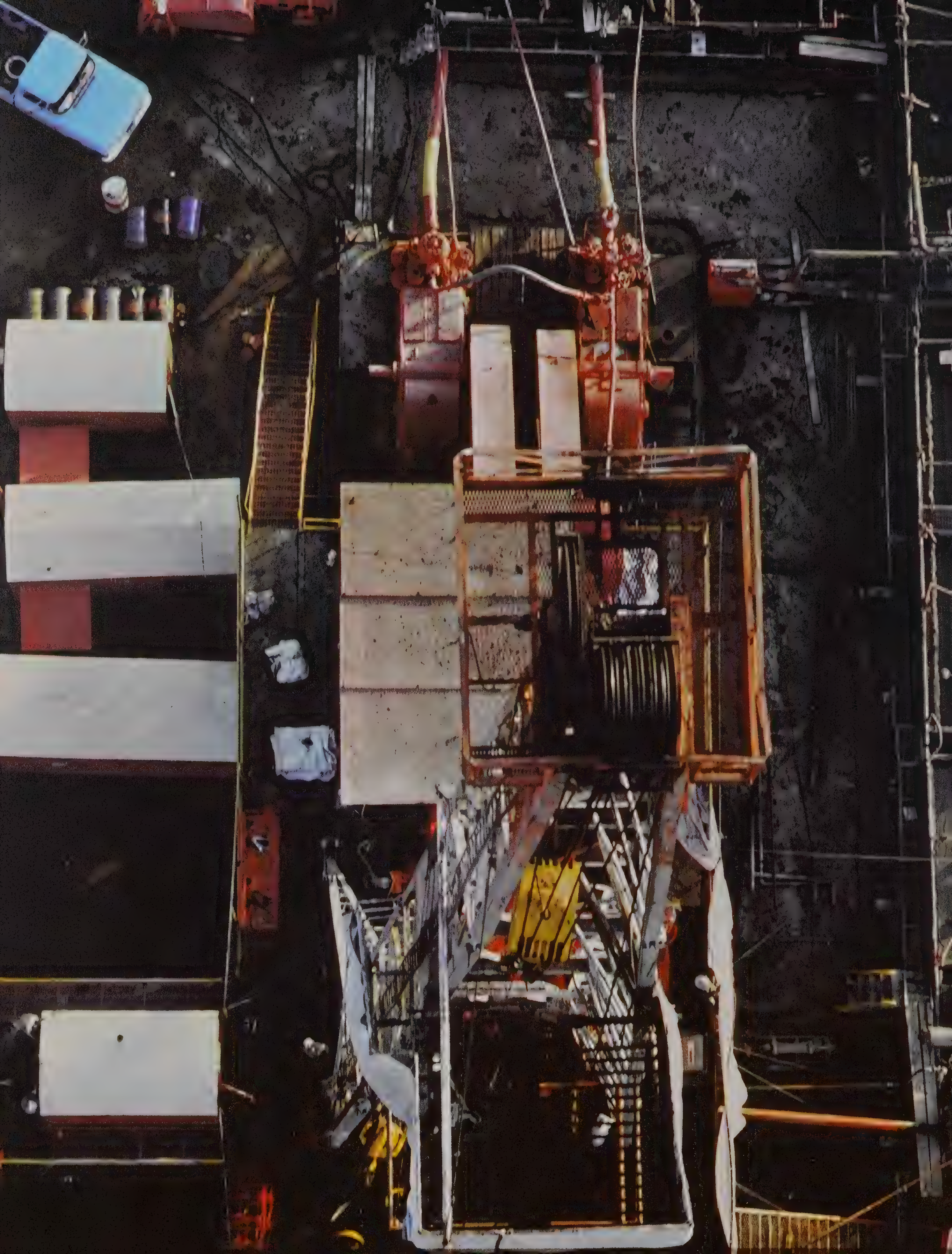
In the Venice field of South Louisiana, the Buras Levee District No. 153, Getty Oil working interest 50 percent, reached a depth of 18,010 feet at year end. It was completed in January, 1969, in the 15,343- to 15,584-foot interval. Five other possible producing sands were penetrated from 13,669 to 15,343 feet, with 87 net feet of possible gas sand and 41 feet of probable oil sand. The well flowed through a 9/64-inch choke at 1.9 million cubic feet of gas daily, with 37 barrels of condensate per million cubic feet. Flowing tubing pressure was 4,400 pounds per square inch.

Earlier in the year in the Venice field area, the Jamie and George No. 1, Getty Oil working interest 100 percent, encountered 33 feet of net gas or oil pay in the interval from 16,542 to 16,583 feet, and 38 feet of possible additional oil pay from 16,736 to 16,834 feet. The well also had 11 net feet of possible oil pay from 17,172 to 17,191 feet. The well potential through a 12/64-inch choke was 441 barrels of crude oil per day with flowing tubing pressure of 1,600 pounds per square inch.

In the Gulf of Mexico, off the coast of Louisiana, Getty Oil participated in drilling 32 gross exploratory wells as a member of the CAGC group (Continental, Atlantic Richfield, Getty Oil and Cities Service). The success ratio for the exploratory wells was 28.1 percent.

A significant success was the Vermilion Block 124 CAGC No. 5, which encountered one gas sand and two oil sands with a total of 106 feet of net effective pay. This well is on the northeast flank of the Block 120 salt dome field. In Grand Isle Block 48, the CAGC No. 4 located 20 net effective feet of gas pay and 25 net effective feet of oil pay.

Deeper drilling on a shallow prospect found two major pay sands in the Grand Isle Block 43 field, with the West Delta Block 96 CAGC No. R-6 encountering 60 feet of pay below 12,000 feet.



Previously primary production had been limited to sands above 11,000 feet. Five wells were drilled successfully to extend the deep production.

In California, a gas discovery well in the Todhunters Lake field, the IOC No. 2, found three new zones with a total of 116 feet of pay from selected intervals between 4,193 and 4,571 feet in the Starkey formation. The well flowed through a 17/64-inch choke at the rate of 2.7 million cubic feet of gas per day. At year end the company had seven gas wells in this field, three with 100 percent working interest, three with a 50 percent working interest, and one with 85 percent working interest.

ALGERIA In October Getty Petroleum Company, a wholly owned subsidiary of Getty Oil Company, and Sonatrach, the government petroleum company of Algeria, signed an agreement to begin exploration for hydrocarbons on four new permit areas in Algeria, with Sonatrach acting as operator.

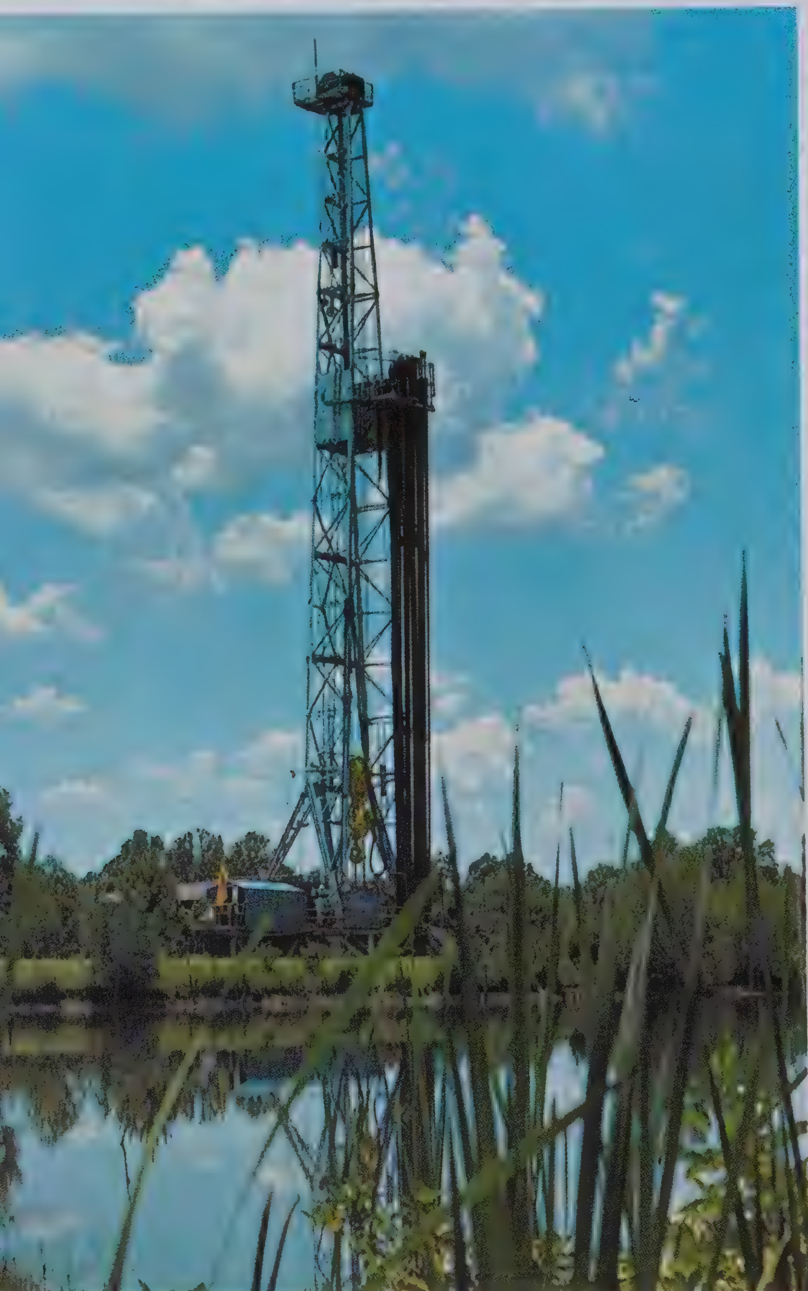
The agreement noted the mutual desire of Sonatrach and Getty Petroleum to develop Algerian natural resources in a manner beneficial to the country and, at the same time, to insure Getty Petroleum the right to a fair profit, in line with the risks undertaken, if the exploration is successful.

Sonatrach conveyed a 49 percent interest in three exploration permits in the areas of Hassi Brahim, Erg Djouad and Djebel Azreg to Getty Petroleum. Each of these permits had a prospect ready for drilling as a result of work done by Sonatrach. The two companies applied for a fourth permit for exploration in the area of El M'Zaid. The four permits cover an area of approximately 4,400 square miles. Crude oil produced from established fields in the vicinity of the exploration-permit areas is of excellent quality, with high gravity characteristics, low pour point and favorable gasoline yield. Main pipelines run from the vicinity of the exploration areas to the Algerian ports of Arzew, Algiers and Bougie.

In addition to a payment of $2.25 million to Sonatrach, the agreement provides that at least $16.3 million, including expenditures previously made by Sonatrach, will be expended, 49 percent by Getty Petroleum and 51 percent by Sonatrach, in the four permit areas during the next five years. Getty Petroleum will advance Sonatrach's share of the exploration expenditures, and funds for two wells offsetting each of the first two discoveries. Sonatrach will repay the advances from its share of any oil discovered.

Since the date of the agreement, test wells have been drilled on two of the prospects developed by Sonatrach. The Hassi Brahim No. 1B drilled to a depth of 13,399 feet and the Erg Djouad No. 1 drilled to a depth of 13,382 feet. Neither well reached a productive formation and both were plugged and abandoned. The decision as to whether additional drilling on these two permits is warranted must await a detailed evaluation of the data obtained. A third test well was scheduled to start in the Djebel Azreg permit area early in 1969, and seismic work was scheduled to start in the 2,200-square-mile El M'Zaid permit area.

In order to obtain the 49 percent interest in substantially larger exporatory areas which are readily accessible to pipelines, and as a part of the new exploration agreement, Getty Petroleum conveyed to Sonatrach 51 percent of its 11.5 percent interest in the Rhourde El Baguel permit area. Getty Petroleum has participated in the Rhourde El Baguel area with other companies since 1962. This includes the Rhourde El Baguel and Messdar oilfields and the Rhourde El Baguel pipeline. Sonatrach will pay for this interest out of its share of the production over four years, including production from the full year of 1968.



SPECIAL PROJECTS In August the new Special Projects Division was formed and assigned responsibilities covering the exploration for and production of hard minerals, the continued development of established uranium mining and nuclear fuel operations, and the optimum commercial and agricultural exploitation of surface acreage owned by the company in fee.

MINERALS Production capacity of the Petrotomics Company uranium mill was doubled during 1968 to 1,000 tons of ore throughput per day, and at year-end plans were announced for the addition of 500 tons more capacity during 1969 to process ore for Kerr-McGee Corporation.

A new mining system utilizing 100-ton-capacity trucks and a 17-cubic-yard-capacity power shovel has increased the efficiency of overburden removal operations at the Dave Mine.

An extensive study into the economic feasibility of mining and processing the undeveloped uranium reserves held by the Getty Oil-Skelly joint venture in the Shirley Basin, Wyoming, was conducted during the year. Plans for development await the completion of market studies. Getty Oil is operator for the joint venture.

In minerals exploration, a major search for uranium was continued by Getty Oil and Skelly. An inventory of prospective properties has been acquired in Arizona, Colorado, New Mexico, Texas and Wyoming. Exploratory drilling took place in Arizona, New Mexico and Wyoming.

Late in 1968 Getty Oil and Skelly made an agreement with Cleveland-Cliffs Iron Company to evaluate potential uranium lands held by Cliffs in the Powder River Basin, Wyoming. Getty Oil's participation in the venture is one-third and Skelly's is one-sixth.

Late in the year, Tidal Diamonds (SWA) Ltd., owned one-third by Getty Oil and two-thirds by the Consolidated Diamond Mines of South West Africa Limited, entered into a new agreement covering diamond concessions with the royalty owners in South West Africa. The agreement permits Tidal to begin offshore diamond mining operations in the Hottentot Bay area in 1969.

Sale of Minera Galaviz, S. A., a small molybdenum mining and milling operation in Sonora, Mexico, was completed in December, 1968, to the company's former contract operator.

OIL SHALE RESERVES In western Colorado, Getty Oil owns in fee approximately 24,300 acres of oil shale lands, with about 21,300 acres underlain by the shallow Mahogany oil shale zone. Shale oil reserves in place under these fee lands are estimated to be approximately 4.2 billion barrels. Processes for extracting oil from shale continue under investigation by several companies. It is not possible to predict when commercial production may commence.

REAL ESTATE Getty Oil Company owns 90,000 acres of land in fee in California. An intensive development program was begun in January, 1968, to increase income from the 70,000 acres not presently required for petroleum operations. Particular emphasis was placed on the development of farm income from 40,000 company acres in Kern County.

Almond orchards and orange groves totaling 465 acres were added under farm management agreements with two local operators in eastern Kern County, bringing the company's total orchard planting to 585 acres. Approximately 10,000 acres owned by Getty Oil in eastern Kern County are considered arable.

In western Kern County, 30,000 acres of previously desert land are scheduled to receive irrigation water from the California Feather River Project. Initial water deliveries were received on 7,300 acres in January, 1968, and farming operations commenced under four leases. By 1974 all 30,000 acres will be receiving water.

Improvements representing an investment of \$1.5 million are being made at the Hotel Pierre Marques, a 215-room beachfront luxury resort hotel at Acapulco, Mexico, owned by a subsidiary company. The principal additions are an 18-hole golf course—the first championship course in the famous vacation city—a nine-hole par-three golf course fronting on the Pacific Ocean, and a convention pavilion with golf clubhouse facilities. The pavilion includes conference rooms and a meeting room large enough to hold 500 persons.

During the year the company acquired a 1,264-acre industrial site on the west bank of the Mississippi River in St. James Parish, Louisiana, about 45 miles northwest of New Orleans.

MANUFACTURING The refineries of Getty Oil and its wholly owned subsidiaries processed 173,000 barrels per day in 1968, compared with 175,000 barrels per day in 1967.

The technological efficiency of the 140,000-barrel-per-calendar-day-capacity Delaware Refinery increased during 1968 through additional application of off-line computer techniques to some units, which resulted in product yield improvement and reduced cost.

Storage capacity for gasoline at the refinery was increased by 309,000 barrels during 1968. Two additional 200,000-barrel general service tanks will be placed in use early in 1969.

Turnarounds were completed on two major process units, following record runs. The fluid coker operated continuously for 562 days and the crude unit atmospheric section completed a run of 1,085 days.

An electrostatic precipitator representing an investment of \$1.8 million was installed at the coker during its turnaround. The 90-foot-high device, developed with the approval of the Delaware Water and Air Resources Commission as another step in Delaware Valley air conservation, will process flue gas from the coker.

The company's Delaware Refinery is situated on one of the largest undeveloped industrial sites on the Eastern Seaboard. While the refinery, its marine terminal and petroleum storage facilities and its satellite chemical plants occupy strategic ground, a large portion of the site's total 5,000 acres remains available for development. This acreage is held in fee by the company. At the present time, the land is leased for crops.

A land acquisition program and the preparatory steps for expansion of the Getty Oil Italiana refinery capacity to 85,000 barrels per day were started during the fourth quarter at Gaeta, Italy. In addition to the installation of more processing equipment, the expansion program will include construction of storage tanks.

MARKETING In 1968 sales of refined products averaged 162,000 barrels per day, compared with the 1967 average of 170,000 barrels per day.

A reduction in the operational expenditures resulted from equipment improvements at the Newark, New Jersey, terminal, through which 2.5 million barrels of petroleum products are distributed annually. The improvements included construction of several new buildings, realignment of tankage, and upgrading of barge and truck loading facilities.

Eastern Division marketing and product distribution departments were reorganized from three districts into two regions during the year, and all Flying A stations in Trenton, New Jersey, and Portland, Maine, were remodeled with colonial facades and other exterior improvements.

The installation of new computer programs to analyze and help improve sales efficiency provided better control over marketing activities.

Motorists in the eastern United States were introduced to a new Veedol Racing Oil in November, 1968. This new blend exceeds the most demanding requirements of auto manufacturers and is a superior lubricant for high performance engines. A new Veedol automatic transmission fluid and new Super G/O winter tires also were introduced in Flying A stations. Sales of tires, batteries and accessories in 1968 reached the highest sales and profit levels in 10 years.

Through wholly owned subsidiary companies in eight nations, the International Division continued its efforts to increase the number of marketing outlets and to improve the appearance and efficiency of existing installations in key marketing regions around the world.

Capital investment programs of Dansk Veedol in Denmark, Veedol G.m.b.H. in West Germany, and Getty Oil (Philippines) Inc., provided new and improved outlets for petroleum products.

SUPPLY AND DISTRIBUTION In July a new Supply and Distribution Division was formed. The division is responsible for foreign crude oil trading activities and international shipping operations, for coordinating the supply and distribution activities of the company's domestic divisions, and for long-range corporate planning in supply and distribution. Operating on a companywide basis, the division handles sales for the company's foreign crude oil while helping supply the requirements of the company's refineries at the lowest practical overall cost.

The SS California Getty was delivered by the builder, Mitsubishi Heavy Industries, Ltd., in December and immediately was placed in service carrying crude oil from the Arabian Gulf to Japan. The tanker's deadweight of 129,328 long tons and its 24,000-horsepower steam-turbine propulsion system make it the largest and most powerful ship in the subsidiary fleet.

The delivery of the SS California Getty brought the international fleet's tonnage to 1,074,753 deadweight tons, consisting of 15 subsidiary-owned and four time-chartered ships.

Modifications permitting the remote operations of firerooms from engine room operating stations were completed aboard the SS Sarah C. Getty and the SS Pennsylvania Getty, the final two vessels to be fitted in this fleetwide fireroom automation program. During the year bulbous bows were fitted on two 57,000-deadweight-ton ships, the SS George F. Getty and the SS Tidewater. The bulbous bows give the vessels greater speed on ballast voyages.

In the Eastern Division, jumboizing of two coastal tankers was completed during the year. The cargo capacities of the SS Wilmington Getty and the SS Louisiana Getty were increased to approximately 200,000 barrels of product each. The jumboizations were completed at a cost of $8.6 million, contrasted with an estimated $24 million to build two new ships of similar capacity.

In Louisiana, a major portion of the construction on the new marine terminal at Venice had been completed by the end of the year. The terminal will have a storage capacity of 880,000 barrels of liquids and will be capable of automatically loading ocean-going vessels at the rate of 40,000 barrels per hour.

At Coalinga, California, the computer which controls activities of the 174-mile 20-inch heated crude oil pipeline, leased and operated by Getty Oil, was installed during 1968. The pipeline is owned by an unrelated capital investment firm. The computer monitors and controls the flow of heated heavy crude oil from the San Joaquin Valley to refineries on San Francisco Bay.

NET INCOME Net income of Skelly Oil Company in 1968 was $40,269,000, or $3.34 per share on its average number of shares of common stock outstanding, compared with 1967 net income of $42,016,000, or $3.48 per average common share.

The major factors causing the reduction were lower product prices and higher costs, and a scheduled refinery shutdown requiring the purchase of products to supplement refinery output.

SALES AND OTHER REVENUES Sales and other revenues in 1968 were $470,418,000, compared with $432,083,000 in 1967. The increased revenues reflect higher sales volumes in oil, gas, chemicals and wood products.

CASH FLOW AND CAPITAL EXPENDITURES Cash flow from operations in 1968 was $95,732,000, compared with $93,802,000 in 1967. Capital expenditures were $94,043,000 in 1968, compared with $134,298,000 in 1967. During 1968, $45,842,000, or 49 percent, of the capital budget was spent in exploration and production activity, compared with $54,551,000, or 41 percent, of the 1967 capital budget.

PRODUCTION In 1968 Skelly Oil Company produced a net daily average of 80,500 barrels of crude oil and 35,000 barrels of natural gas liquids, a total of 115,500 barrels of petroleum liquids. In 1967 Skelly's net average daily production was 75,400 barrels of crude oil and 27,800 barrels of natural gas liquids, a total of 103,200 barrels of petroleum liquids.

Natural gas production averaged 386 million cubic feet per day during the year, compared with 1967 average daily production of 364 million cubic feet.

In 1968 Skelly drilled 34 net development wells, compared with 45 net development wells drilled in 1967. Of the 1968 wells, 30 were productive and four were dry holes.

The largest part of the company's gain in crude oil production during 1968 came from its interest in four fields in Cook Inlet, Alaska. Skelly's record natural gas production in 1968 was attained by higher levels of production in the Arkoma Basin, in the Bay City area of Matagorda County, Texas, and in the Main Pass Block 6 area offshore of Louisiana.

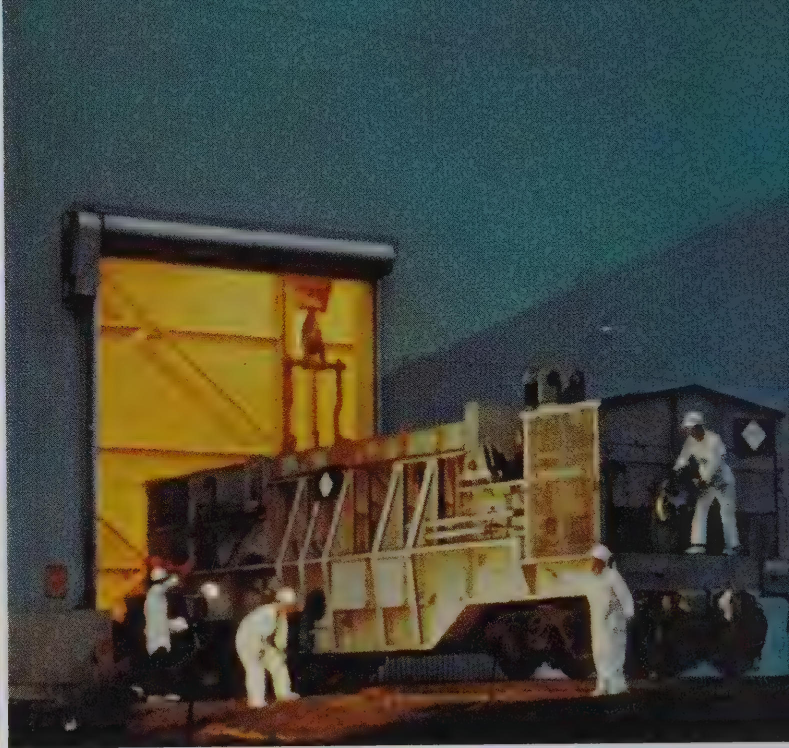
At year end the company was participating in 264 additional recovery projects, with 35 Skelly-operated, including a pilot fireflood on the 13,000-acre Schafer Ranch lease in the Texas Panhandle.

The net crude oil and natural gas liquids reserves recoverable from Skelly leases at December 31, 1968, were estimated at 435 million barrels. Natural gas reserves were estimated at 1,871 billion cubic feet at the end of 1968.

EXPLORATION During 1968 Skelly participated in 37 gross, or 19 net, successful wells for a net success ratio of 46 percent.

In Alaska, Skelly as the operator for a four-company group acquired varying interests in 11 Bristol Bay tracts totaling 13,000 gross acres. Skelly also acquired 98,200 acres of leases or priority for leases in the onshore portion of the Gulf of Alaska Basin. Priorities for leases on 113,000 acres in Kandik River Basin in east central Alaska were made. Skelly with two other companies acquired priorities for leases on 137,000 acres on the southeast side of the Norton-Koynkuk Basin in western Alaska.

In Canada, a program of seismic exploration, lease acquisition and exploratory drilling continued. The A No. 1 Zama was completed by Skelly as a discovery well in the Zama field of northwestern Alberta. This well flowed at the rate of 254 barrels of crude oil per day during a 24-hour test. Two successful discovery wells — one for 1,392 and the other for 612 barrels of crude oil



MARSHALL Skelgas SERVICE
Skelgas

RESTAURANT

per day—were completed on tracts in the Virgo field of northwestern Alberta.

In the Gulf of Mexico, Skelly acquired interests in four Texas tracts, with 5,500 net acres. In 1969 test wells are scheduled for drilling in three of the tracts—one offshore of Calhoun County and two in the High Island area. Offshore of Louisiana the company acquired 2,600 net acres in two tracts in the Ship Shoal area, both offsetting a 100 percent Skelly lease on which three gas wells have been completed. In January, 1969, Skelly acquired one-fourth interest in a tract which offsets the oil-producing property of another company in the Marsh Island area.

Seismic surveys were partially completed in a 16-million-acre concession in Mozambique, on the southeast coast of Africa, in 1968. Skelly holds a one-third interest in the concession.

SUPPLY AND TRANSPORTATION Skelly's crude oil gathering systems in Kansas and Oklahoma carried 36.8 million barrels of petroleum in 1968. The Osage Pipe Line system, completed late in 1967, supplemented refinery requirements with Oklahoma and Texas crude oils, including some of the production from the company's Velma, Oklahoma, field.

The company's products pipeline system was extended through Kansas with construction of a 116-mile six-inch pipeline from the El Dorado Refinery to Great Bend by way of Conway. At the same time a four-inch 67-mile pipeline was laid between El Dorado and Conway to transport ethane-propane mix to underground storage at Conway, before its movement through common carrier pipelines to the Chemplex Company at Clinton, Iowa. The mix is sold to Chemplex as its feedstock.

MANUFACTURING The El Dorado Refinery processed 70,700 barrels per day of crude oil and natural gas liquids in 1968, compared with 73,900 barrels per day in 1967.

Construction of a turbo-expander gas liquids plant for recovery of ethane and other liquefied petroleum gases was begun at the refinery in 1968. Work also is in progress on the replacement of the vapor recovery unit, scheduled for completion in mid-1969.

A record production of 35,037 barrels per day of natural gas liquids was achieved by the company's natural gas processing plants during 1968. The volume increase over 1967 was due to initial production of ethane at the Eunice, New Mexico, plant and the late-1967 acquistion of increased ownership interests in the East Vealmoor and other plants. In South Louisiana, another gas processing plant in which Skelly has an interest was completed in 1968.

MARKETING Sales of refined petroleum products averaged 108,200 barrels per day in 1968, compared with 98,700 barrels per day in 1967.

Skelly's service station construction program continued in 1968 with primary emphasis on locations along the interstate highway system and in metropolitan areas. The company was represented by 180 stations on interstate highways at the end of 1968. In addition, Skelly maintains a leading position in truck stops.

Continued growth was achieved in liquefied petroleum gas marketing under the company's Skelgas trade name during 1968. Emphasis was placed on developing new applications for liquefied petroleum gas in such areas as grain drying, stock tank heating and construction, in addition to its conventional use as a household fuel.

DIVERSIFICATION The first phase of a petrochemical complex of the Chemplex Company—a 50-50 joint venture of Skelly and American Can Com-

pany—was completed and operations were begun in 1968. A second construction phase planned to double the plant's output of low-density and high-density polyethylene started during 1968.

During 1968 Chembond Corporation, Skelly's wholly owned subsidiary which supplies adhesives used in the wood products industry, started construction on a 70-million-pound-per-year formaldehyde plant at Springfield, Oregon. The plant will supply formaldehyde used in manufacturing adhesives upon its completion in 1969.

As a result of an upturn in commercial and residential construction during 1968, the volume of product sales and profits improved substantially at Vancouver Plywood Company, Skelly's wholly owned subsidiary in the Pacific Northwest. Other factors contributing to profit improvement were organization and management changes which strengthened operations.

MINERALS Skelly's exploration for sulfur in Mexico, in association with Minerales Mexicanos Mayaqui, continued during 1968. At midyear it was announced that a sulfur deposit, possibly of commercial size, was found. A study is under way to determine if this deposit may be produced and sold profitably.

REVIEW OF MITSUBISHI OIL COMPANY

EXPLORATION Mitsubishi Oil Company, the Japanese affiliate of Getty Oil, along with several other Mitsubishi group companies, obtained a concession for exploration and production of onshore oil resources in Abu Dhabi, a large independent sheikdom on the Trucial coast. The concession covers 2,500 square miles in three parcels, one of which adjoins the Murban oilfield.

MANUFACTURING The following expansion projects were completed at the Mizushima and Kawasaki refineries of Mitsubishi:

At Mizushima a new lubricating oil manufacturing plant went on stream in April, and at year end was producing 1,470 barrels per day of finished lube oils, which are marketed in Japan under the Mitsubishi brand. Also completed at Mizushima was an aromatics plant with annual production capacity of 288,000 tons of benzene, toluene and xylene.

At Kawasaki, new facilities for receiving and storing crude oil were completed. A sea berth capable of handling tankers of up to 250,000 deadweight tons was constructed 2.5 miles offshore in Tokyo Bay. The berth is connected by a 40-inch diameter undersea pipeline to new storage tanks on Ogishima, a manmade island in Tokyo Bay approximately one-third mile from the refinery. Underwater pipelines connect the storage tanks with the refinery. The SS J. Paul Getty, a 78,000-deadweight-ton tanker of the company's international subsidiary fleet, became the first vessel to discharge crude oil cargo at the sea berth, shortly after completion of the facility in December.

Mitsubishi acquired a 40 percent capital interest in the recently organized Tohoku Oil Company, which in turn has received approval from the Ministry of International Trade and Industry for construction of a 40,000-barrel-per-day refinery on Sendai Bay on Hokkaido Island to begin operation in October 1971. Mitsubishi will market all of the products of this refinery, with a large volume of fuel oil to be sold to the Tohoku Power Company for use in its nearby plant.

MARKETING At the end of 1968 Mitsubishi marketed through a total of 3,017 service stations, an increase of 358 stations over 1967.

TRANSFER AGENTS

First National City Bank
Corporate Trust Department
399 Park Avenue
New York, New York 10022

Security Pacific National Bank
Corporate Trust and Agency Division
124 West Fourth Street
Los Angeles, California 90054

Crocker-Citizens National Bank
Stock Transfer Department
Rincon Annex, Box 3725
San Francisco, California 94120

REGISTRARS

The Chase Manhattan Bank, NA
Agency Division
1 Chase Manhattan Plaza
New York, New York 10015
(Effective April 1, 1969)

Bank of America, NT&SA
Corporate Trust Department
300 Montgomery Street
San Francisco, California 94120

Bank of America, NT&SA
Corporate Trust Division
111 West Seventh Street
Los Angeles, California 90014

PRINCIPAL OFFICES

3810 Wilshire Boulevard, Los Angeles, California 90005
660 Madison Avenue, New York, New York 10021
815 Walker Avenue, Houston, Texas 77001
Mina Saud, Saudi Arabia-Kuwait Neutral Zone
Riyadh, Saudi Arabia

ANNUAL MEETING

The Annual Meeting of stockholders will be held at 10 a.m., Thursday, May 1, 1969, at the offices of Corporation Trust Company, 100 West Tenth Street, Wilmington, Delaware

A financial and operating supplement, containing additional consolidated statistical data, is available upon request. Also available are copies of the annual reports of Mission Corporation and of Skelly Oil Company, and the separate statistical supplement published by Skelly.

Direct inquiries to
Public Relations Department
Getty Oil Company
3810 Wilshire Boulevard
Los Angeles, California 90005

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3810 Wilshire Boulevard
Los Angeles, California 90005

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Financial and Operating Statistics 1959-1968

A Supplement to the Getty Oil Company 1968 Annual Report

This report of financial and operating statistics is published to supplement the annual report to stockholders with detailed information which is impractical to include in such annual report. It is not a representation pertaining to any securities or intended for use in connection with any sale or purchase of, or offer or solicitation of offers to buy or sell any securities. For further information, you are cordially invited to write or visit the company's general offices in Los Angeles, California. Please address either Mr. George F. Getty II, Executive Vice President, or Mr. C. D. Signorelli, Vice President and Controller.

Getty Oil Company

GETTY OIL COMPANY
FINANCIAL AND OPERATING STATISTICS
1959 — 1968

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GETTY OIL COMPANY
AND CONSOLIDATED SUBSIDIARIES

BASIS FOR CONSOLIDATION

The financial and operating statistics contained in the following pages of this report are those of Getty Oil Company and its wholly owned subsidiaries and 100 percent of Mission Corporation and Skelly Oil Company.

BUSINESS

Getty Oil Company was organized under the laws of the State of Delaware on November 10, 1928 under the name of Pacific Western Oil Corporation, which name was changed to Getty Oil Company on April 25, 1956. Its home office is located at 3810 Wilshire Boulevard, Los Angeles, California, and its principal places of business are located at 660 Madison Avenue, New York, New York; 815 Walker Avenue, Houston, Texas; Mina Saud, Saudi Arabia-Kuwait Neutral Zone; and Riyadh, Saudi Arabia.

Through its 70.53 percent ownership of Mission Corporation at December 31, 1968, Getty Oil Company held a 50.29 percent equity interest in Skelly Oil Company, an integrated oil company headquartered in Tulsa, Oklahoma.

Getty Oil Company and its wholly-owned subsidiaries (hereafter referred to as Getty Oil) have crude oil and natural gas reserves in most of the major producing areas of the United States and offshore in the Gulf of Mexico, in Canada, in the Neutral Zone lying between Saudi Arabia and Kuwait, in Iran, and in Algeria; a crude oil refinery and interests in petrochemical plants located south of Wilmington, Delaware; refineries in the Neutral Zone and in Gaeta, Italy; natural gasoline plants; oil and product pipelines and storage facilities; foreign flag and domestic tankers; and other transportation facilities and marketing outlets in the eastern portion of the United States as well as other areas throughout the free world.

In general, Getty Oil is engaged in the business of exploration and development of prospective and proven oil, gas and mineral lands and leases in the United States, other areas of the Western Hemisphere, and in other areas of the world; the production, purchase and sale of crude oil, natural gas and natural gas liquids; the transportation of crude oil and refined products by pipelines, tank ships, tank cars and automotive equipment; the refining of crude oil into various grades of aviation and motor gasoline, jet fuel, distillates, fuel oils and other petroleum products; the manufacture and sale of petrochemicals and the distribution of refined petroleum products.

Mission Corporation's principal asset is its ownership of 71.31 percent of the outstanding stock of Skelly Oil Company. Mission is also engaged directly, to a minor extent, in the business of prospecting for and producing crude oil.

Skelly Oil Company (Skelly) is an integrated oil company engaged principally in the business of acquisition, exploration and development of oil and gas properties; the production, purchase, transportation and sale of crude oil; the refining of crude oil and the marketing at wholesale and retail of refined products; the production, purchase and sale of natural gas and natural gas liquids; and the production, sale and distribution at wholesale and retail of liquefied petroleum gas.

Skelly has published a Supplement providing more detailed financial and operating data, which will be furnished upon request. Copies may be obtained from the Director of Public Relations, Skelly Oil Company, P. O. Box 1650, Tulsa, Oklahoma, 74102.

EXPLORATION AND PRODUCTION

Getty Oil is active in the exploration for and production of crude oil and natural gas in most major producing areas of the United States and offshore in the Gulf of Mexico; in Alberta, Canada; in the Saudi Arabian Neutral Zone and other areas of the Middle East and Africa. As of December 31, 1968, Getty Oil held in fee or under lease 510,000 acres of producing oil and gas lands, 3,300,000 prospective acres and had 8,552 net producing wells. Domestic exploratory and producing activities are primarily in the Mid-Continent and Gulf Coast areas and in California.

Pursuant to an agreement dated February 20, 1949 with the Government of the Kingdom of Saudi Arabia, Getty Oil obtained a concession for a term of sixty years of the rights of His Majesty the King of Saudi Arabia as to oil, gas and other petroleum products in respect of an undivided one-half interest in and to the Neutral Zone lying between Saudi Arabia and Kuwait. The oil and gas rights in respect of the other undivided one-half interest in the Neutral Zone were obtained by American Independent Oil Company. The Neutral Zone embraces an area of approximately 2,100 square miles. In 1968, Getty Oil's share of crude oil production in the Neutral Zone averaged 63,400 barrels per day. One net well was completed during 1968, bringing the number of net producing wells at December 31, 1968 to 193.

In 1955 Getty Oil and its former subsidiary, Tidewater Oil Company, each acquired a separate .4167 percent (1/240) interest in the Iranian Oil Consortium. Such .8333 percent (1/120) interest is now held by Getty Oil's wholly-owned subsidiary, Getty Iran Ltd. Such interest entitles Getty Iran Ltd. to its share of crude oil and refined products produced in Iran under the agreements relating to the Consortium. In 1968 Getty Oil's net share of crude oil production from its holdings in the Iranian Consortium averaged 18,800 barrels per day. Part of this was received in crude oil and the balance in finished products from the Abadan refinery.

In 1962, Getty Petroleum Company (formerly Veedol Oil Company), a wholly-owned subsidiary, acquired an 11.5 percent interest (25,575 net acres) in the Rhourde El Baguel oil field in the Algerian Sahara from a subsidiary of Newmont Mining Corporation. In October, 1968, Getty Petroleum and Sonatrach, the government petroleum company of Algeria, signed an agreement to begin exploration for hydrocarbons on four new permit areas in Algeria. Sonatrach conveyed 49 percent interest in three exploration permits in the areas of Hassi Brahim, Erg Djouad and Djebel Azreg and the two companies applied for a fourth permit in the area of El M'Zaid. Two wells have been drilled on the newly acquired areas and both wells were plugged and abandoned.

In order to obtain the 49 percent interest in the larger exploratory areas Getty Petroleum conveyed to Sonatrach 51 percent of its 11.5 percent interest in the Rhourde El Baguel permit area. During 1968 the 5.635 percent Getty Petroleum share of crude oil production averaged 4,700 barrels per day.

Getty Oil owns in fee approximately 24,300 acres of oil shale lands in western Colorado, of which approximately 21,300 acres are underlain by the Mohogany oil shale zone, deemed to have the highest potential for production. Shale oil reserves in place under these fee lands are estimated to be approximately 4.2 billion barrels. Processes for extracting oil from shale continue under investigation by several companies. It is not possible to predict when commercial production may commence.

Skelly produces crude oil and natural gas principally in the Alaska, Rocky Mountain, Mid-Continent and Gulf Coast areas of the United States and the provinces of Alberta and Saskatchewan in Canada. Skelly's net crude oil production averaged 80,500 barrels per day in 1968 compared to 75,400 barrels per day in 1967. Completion of 53 net wells was made during 1968, bringing the number of net producing wells at December 31, 1968 to 4,594.

Skelly has a one-third interest in a concession agreement completed in 1967 covering a 16-million acre area in Mozambique in Eastern Africa. Exclusive rights are granted to prospect for oil and gas within the concession area covering both land and offshore areas.

MINERALS

Getty Oil, in a joint venture with Skelly, owns extensive reserves of uranium located in Wyoming. An extensive study into the economic feasibility of mining and processing these undeveloped uranium reserves was conducted during the year. Plans for development await completion of market studies.

Getty Oil has a 33 1/3 percent interest (Skelly has an additional 16 2/3 percent interest) in evaluating potential uranium lands held by Cleveland-Cliffs Iron Company in the Powder River Basin of Wyoming.

Getty Oil has a 33-1/3 percent interest (Skelly has an additional 16-2/3 percent interest) and is operator of the Petrotomics Company uranium mine and mill in Wyoming's Shirley Basin. At the end of 1968 plans were announced for increasing the mill capacity to 1,500 tons per day.

In South West Africa, Tidal Diamonds, in which Getty Oil has a one-third interest, is exploring for diamonds and non-fissionable minerals on approximately 10,000 square miles of onshore and offshore concessions.

Skelly's exploration for sulfur on 30,000 acres in the state of Veracruz, Mexico, in association with Minerals Mexicanos Mayaqui, continued during 1968. During 1968, a sulfur deposit, possibly of commercial size, was found and a study is under way to determine if this deposit may be produced and sold profitably.

REAL ESTATE

Getty Oil Company owns 90,000 acres of land in fee in California, and presently is in the process of developing those acres not presently used for petroleum operations. Particular emphasis is being placed on 40,000 acres in Kern County for development of farm income.

Getty Oil also owns and operates a 22 story office building in New York City. A subsidiary company owns and operates a 215-room resort hotel in Acapulco, Mexico.

NATURAL GAS PROCESSING AND CYCLING PLANTS

At December 31, 1968, Getty Oil had varying interests in 34 natural gas processing plants located in the United States. Getty Oil's share of processing capacity exceeds 652 million cubic feet of natural gas daily.

Skelly has interests in 29 natural gas processing plants which processed 141 billion cubic feet of natural and casinghead gas during 1968.

REFINING FACILITIES

Getty Oil owns and operates a refinery located on land owned in fee at Delaware City, Delaware with a rated capacity for crude oil of 140,000 barrels per calendar day. Getty Oil also owns and operates a refinery located in the Neutral Zone at Mina Saud on the Arabian Gulf which has a throughput capacity of 50,000 barrels per stream day.

Through its wholly-owned subsidiary, Getty Oil Italiana S.p.A., it owns and operates a refinery at Gaeta, Italy, which has a throughput capacity of 40,000 barrels per stream day. Preparatory steps were undertaken in the 4th quarter of 1968 for expansion of the refinery to 85,000 barrels per day.

Actual throughput for 1968 including processing for others for Getty Oil's refineries is as follows:

	Total barrels	Barrels per day
Delaware City, Del.	42,166,000	115,208
Gaeta, Italy	8,205,000	22,418
Mina Saud	8,622,000	23,557
	58,993,000	161,183

In addition, a refinery in Denmark processed 4,392,000 barrels (12,000 BPD) of crude oil during 1968, under agreements with a subsidiary company. These volumes include processing for others.

Skelly owns and operates a refinery at El Dorado, Kansas, which has a daily crude oil throughput capacity of approximately 68,500 barrels per stream day. Actual throughput of crude oil and natural gas liquids during 1968 was 25.9 million barrels or an average of 70,700 barrels per day.

Mitsubishi Oil Company, in which Getty Oil and Mission Corporation hold a 49.7 percent interest, has a refinery at Kawasaki, Japan, having a capacity of 74,400 barrels per stream day and a refinery at Mizushima, Japan, having a capacity of 150,000 barrels per stream day. Mitsubishi Oil Company is not consolidated in the financial statements nor operating statistics of Getty Oil Company.

TRANSPORTATION

Getty Oil has an international tanker fleet numbering 15 subsidiary owned and 4 time-chartered vessels. Delivery of the SS California Getty in 1968 brought the fleet's tonnage to 1,074,753 deadweight tons.

PETROCHEMICAL OPERATIONS

Getty Oil has a 50 percent interest in a 100 million pound per year naphthalene plant jointly owned with Collier Carbon & Chemical Corporation and located at the Delaware refinery. Naphthalene is used principally for the manufacture of plastics, synthetic rubber, paints, and dyes.

Getty Oil and Air Products & Chemical Inc. each owns a 50 percent interest in a 40 million pound per year oxo-alcohol plant located at the Delaware refinery. The plant manufactures octyl and decyl alcohols, used in making plastics and resins.

Getty Oil has a 50 percent interest in a 14 million pound per year butadiene plant jointly owned with Standard Brands Chemical Industries, Inc. and located at the Delaware refinery. Butadiene is used in the manufacture of high quality synthetic rubber products.

In recent years, Skelly has entered into a number of petrochemical operations. At El Dorado, Kansas, adjacent to the refinery, Skelly operates a petrochemical complex which produces phenol, acetone, benzene, cumene and aliphatic hydro-carbon solvent products. It owns a 50 percent interest in Hawkeye Chemical Company which operates a chemical plant at Clinton, Iowa, with a capacity of 400 tons of ammonia fertilizer per day. Skelly also owns a 25 percent interest in a fertilizer plant in the Republic of Korea and a 100 percent interest in Chembond Corporation, Springfield, Oregon, which produces and markets synthetic resins and adhesives for the wood products and paper industries. Skelly has also entered into an unincorporated 50-50 joint venture with American Can Company known as Chemplex Company, which will manufacture and market petrochemical products including ethylene, propylene and high and low density polyethylene. A plant in Clinton, Iowa was completed through its first phase and operations started during 1968.

WOOD PRODUCTS

Skelly owns a 100 percent interest in Vancouver Plywood Company, Albany, Oregon, a marketer and manufacturer of plywood products. Vancouver has three softwood mills in Oregon, prefinish plants in Washington and North Carolina, and marketing outlets in Washington, North Carolina, Georgia, and Indiana. In addition, Vancouver Plywood owns a 66 2/3 percent interest in a subsidiary which has two softwood plants in Louisiana.

MARKETING

At December 31, 1968 Getty Oil in its Eastern Division owned or leased 925 retail service stations, 875 of which were leased to dealers and 13 of which were company-operated. Getty Oil at that date owned or leased 59 bulk distributing plants, of which 25 were company-operated and 23 were operated by distributors. Its products were also marketed by dealers through 2,112 independent retail outlets where the company had no interest in the service station facilities. All of these facilities are situated in the eastern United States.

Additionally, Getty Oil has 282 service stations, 38 distributing plants and terminals, and 250 other retail outlets situated outside the United States. Veedol products are also marketed through foreign distributors in a number of countries throughout the free world.

At December 31, 1968, Skelly Oil Company owned or leased 1,493 retail service stations and owned and leased 416 bulk distributing plants located principally in the middle western United States. The products of Skelly were also marketed by dealers through 5,127 independent retail outlets where the company had no interest in the service station facilities.

DIVERSIFICATION

Getty Oil and Skelly extended their activities in uranium and the nuclear energy field with the acquisition of 34 percent of the capital stock of Nuclear Fuel Services, Inc., ("NFS"), in 1968. NFS has nuclear fuel manufacturing facilities in Erwin, Tennessee. At West Valley, New York, NFS owns and operates a commercial nuclear fuel reprocessing plant, which recovers unused nuclear fuel from the spent fuel elements of utility power reactors. The recovered fuel is returned to the fuel owners, for blending with newly enriched uranium and manufactured into new fuel elements for use in reactors.

In April 1969 Getty Oil acquired the balance of the outstanding capital stock of NFS, other than that held by Skelly, and Skelly purchased a $6 million, seven percent subordinated convertible debenture issued by NFS.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31

	1968	1967	1966
REVENUES			
Sales, including excise taxes, and other operating revenues (Note 7)	$1,179,154	$1,135,553	$1,218,567
Dividends, interest and other income	20,527	22,699	17,857
Gain on sale of assets	4,693	7,136	-
Total revenues	1,204,374	1,165,388	1,236,424
COSTS AND EXPENSES			
Crude oil, products and merchandise costs and operating expenses *	672,458	632,709	644,768
Exploration and dry hole costs and undeveloped lease amortization *	50,396	44,032	41,160
Selling, general and administrative expenses *	94,223	90,061	119,988
Taxes, including income taxes (Note 7)	143,767	151,074	202,113
Depreciation and depletion	117,360	98,119	101,433
Interest on indebtedness	8,113	8,738	8,749
Total expenses	1,086,317	1,024,733	1,118,211
INCOME BEFORE MINORITY INTEREST AND EXTRAORDINARY ITEMS	118,057	140,655	118,213
Less minority interest in income of consolidated subsidiaries	19,807	22,489	25,935
INCOME BEFORE EXTRAORDINARY ITEMS (1)	98,250	118,166	92,278
Extraordinary items, net of income taxes and minority interest	-	-	114,640
NET INCOME (1)	$ 98,250	$ 118,166	$ 206,918
* Includes salaries, wages and employee benefits of	$ 118,713	$ 109,905	$ 120,950

(1) Adjusted for minority interest in Tidewater not accounted for on a pooling of interest basis.

(Thousands of Dollars)

1965	1964	1963	1962	1961	1960	1959
$1,188,004	$1,134,733	$1,109,788	$1,094,226	$1,059,584	$1,017,760	$ 994,911
12,178	10,985	9,040	6,253	3,482	4,054	4,913
-	-	-	-	-	-	-
1,200,182	1,145,718	1,118,828	1,100,479	1,063,066	1,021,814	999,824
619,818	601,426	586,669	573,605	534,449	508,894	500,902
40,265	36,267	40,005	43,547	39,391	38,145	37,092
126,351	120,596	115,842	111,811	116,738	103,835	102,693
208,093	210,646	199,152	197,469	201,388	197,277	188,174
95,267	91,317	88,966	90,840	93,857	92,565	88,253
10,265	11,589	12,168	14,370	14,067	13,982	14,006
1,100,059	1,071,841	1,042,802	1,031,642	999,890	954,698	931,120
100,123	73,877	76,026	68,837	63,176	67,116	68,704
25,308	19,819	21,008	21,013	23,532	26,521	28,951
74,815	54,058	55,018	47,824	39,644	40,595	39,753
1,181	11,919	3,909	3,127	-	1,461	3,918
$ 75,996	$ 65,977	$ 58,927	$ 50,951	$ 39,644	$ 42,056	$ 43,671
$ 122,043	$ 118,785	$ 118,324	$ 117,264	$ 118,417	$ 112,171	$ 115,141

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

	1968	1967	1966
SOURCE			
Net income before minority interest	$118,057	$140,655	$ 118,213
Depreciation and depletion	117,360	98,119	101,433
Amortization of undeveloped leases and dry-hole costs	33,005	31,111	28,497
Cash flow from operations	268,422	269,885	248,143
Decrease (increase) in working capital	14,726	(14,151)	(49,833)
Decrease (increase) in investments and long-term receivables	15,854	4,622	(107,554)
Disposition of property, facilities, equipment, etc.	11,020	21,966	326,086
Total	$310,022	$282,322	$ 416,842
DISPOSITION			
Capital expenditures, including dry-hole costs	$237,469	$233,565	$ 242,354
Decrease (increase) of long-term debt (net)	15,168	2,938	42,703
Decrease (increase) in deferred income and noncurrent reserves	2,597	(4,624)	3,681
Purchase of preferred stock and common minority interest	31,953	34,674	118,141
Cash dividends paid or declared:			
Common stockholders	14,544	1,598	1,598
Preferred stockholders	2,428	2,571	3,008
Common minority stockholders of subsidiaries merged in 1967	-	5,322	-
Minority stockholders of consolidated subsidiaries	5,863	6,278	5,357
Property dividend	-	-	-
Total	$310,022	$282,322	$ 416,842

(Thousands of Dollars)

	1965	1964	1963	1962	1961	1960	1959
	$100,123	$ 73,877	$ 76,026	$ 68,837	$ 63,176	$ 67,116	$ 68,704
	95,267	91,317	88,966	90,840	93,857	92,565	88,253
	25,458	23,912	26,362	29,976	22,808	19,973	22,442
	220,848	189,106	191,354	189,653	179,841	179,654	179,399
	24,185	(21,168)	(31,345)	16,307	(4,575)	4,012	15,068
	112	(5,259)	1,307	(3,645)	(24,997)	(3,179)	11,678
	11,743	26,499	30,607	13,158	11,958	13,865	21,340
	$256,888	$189,178	$191,923	$215,473	$162,227	$194,352	$227,485
	$167,332	$138,974	$138,533	$130,866	$160,285	$165,843	$177,992
	44,977	34,646	23,282	31,606	(4,862)	2,657	23,795
	15,572	(10,157)	(22,613)	7,434	(21,670)	(3,171)	(5,709)
	18,615	15,448	43,126	38,327	18,369	19,232	9,531
	1,598	1,598	1,598	-	-	-	-
	3,396	3,497	3,595	3,665	3,754	2,889	2,984
	-	-	-	-	-	-	-
	5,398	5,172	4,402	3,575	6,351	6,902	6,764
	-	-	-	-	-	-	12,128
	$256,888	$189,178	$191,923	$215,473	$162,227	$194,352	$227,485

CONSOLIDATED BALANCE SHEET
DECEMBER 31

ASSETS	1968	1967	1966
CURRENT ASSETS			
Cash	$ 40,589	$ 31,647	$ 40,567
Marketable securities, at cost which approximates market	111,278	128,090	15,439
Accounts and notes receivable, less reserve for doubtful accounts (net)	183,749	168,297	335,535
Inventories -			
Crude oil and products, at cost (partially on last-in, first-out basis, partially on average), which is substantially below market	63,589	63,491	52,930
Materials and supplies, at or below cost	22,745	19,613	18,429
Other current assets	15,498	15,172	10,543
Total current assets	437,448	426,310	473,443
INVESTMENTS AND ADVANCES (Note 1)	67,138	72,321	67,967
LONG-TERM RECEIVABLES	85,367	96,038	114,667
PROPERTY, FACILITIES AND EQUIPMENT, at cost less accumulated depreciation, depletion and amortization by function: (Note 2)			
Exploration & production	639,057	591,898	525,342
Transportation	100,610	85,834	85,530
Manufacturing	210,332	190,664	204,410
Marketing	126,408	119,118	123,996
Natural gasoline plants	67,911	66,158	32,440
Other	50,599	61,576	48,108
Total property, facilities and equipment	1,194,917	1,115,248	1,019,826
Total Assets	$1,784,870	$1,709,917	$1,675,903
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Current portion of long-term debt	$ 32,164	$ 8,855	$ 8,904
Notes payable	15,257	23,521	67,180
Accounts payable and accrued liabilities	137,133	113,735	103,841
Accrued taxes, other than income taxes	10,079	11,134	12,552
Income taxes	12,766	24,248	50,242
Dividend on preferred stock	596	638	696
Total current liabilities	207,995	182,131	243,415
LONG-TERM DEBT (Note 3)	115,690	130,858	133,796
DEFERRED INCOME AND NONCURRENT RESERVES (Note 4)	39,466	42,063	47,092
MINORITY INTEREST IN SUBSIDIARIES (Note 1)	237,150	228,326	229,730
STOCKHOLDERS' EQUITY (Notes 3 and 5)			
Preferred	49,575	52,850	56,756
Common	1,134,994	1,073,689	965,114
Total stockholders' equity	1,184,569	1,126,539	1,021,870
Total Liabilities and Stockholders' Equity	$1,784,870	$1,709,917	$1,675,903

(Thousands of Dollars)

1965	1964	1963	1962	1961	1960	1959
$ 42,930	$ 41,354	$ 37,396	$ 62,200	$ 67,431	$ 75,007	$ 70,280
37,054	59,340	47,701	13,021	18,960	4,680	9,053
160,222	145,212	137,168	130,447	137,240	118,895	114,815
70,604	71,099	66,260	76,349	74,211	67,923	67,992
21,833	20,458	21,378	22,119	26,827	29,331	33,134
18,338	16,624	17,225	16,157	14,371	12,768	12,943
350,981	354,087	327,128	320,293	339,040	308,604	308,217
34,498	33,423	31,542	31,464	24,407	17,493	14,053
40,582	41,769	38,391	39,776	43,188	25,105	25,366
462,203	422,025	410,424	422,126	436,360	434,856	421,604
138,265	135,738	125,331	109,223	107,271	106,667	109,295
242,096	253,611	263,818	276,704	270,249	268,216	273,080
167,517	164,512	164,230	164,808	162,225	151,092	136,512
33,037	30,796	31,581	33,581	34,202	32,127	25,728
45,257	44,881	47,052	46,247	50,892	50,733	45,507
1,088,375	1,051,563	1,042,436	1,052,689	1,061,199	1,043,691	1,011,726
$1,514,436	$1,480,842	$1,439,497	$1,444,222	$1,467,834	$1,394,893	$1,359,362
$ 11,377	$ 12,972	$ 18,724	$ 42,947	$ 38,918	$ 29,085	$ 27,846
12,047	4,583	5,671	5,500	-	-	-
113,441	94,875	91,811	93,870	106,224	90,741	85,178
19,617	20,300	17,958	16,313	16,927	15,611	15,761
13,459	16,106	8,856	8,885	7,866	8,856	11,082
845	871	896	911	931	712	739
170,786	149,707	143,916	168,426	170,866	145,005	140,606
176,499	221,476	256,122	279,404	311,010	306,148	308,805
50,773	66,345	56,188	33,575	41,009	19,339	16,168
283,463	279,150	277,963	309,966	337,492	371,076	377,064
70,113	72,364	74,390	75,667	77,520	59,278	61,613
762,802	691,800	630,918	577,184	529,937	494,047	455,106
832,915	764,164	705,308	652,851	607,457	553,325	516,719
$1,514,436	$1,480,842	$1,439,497	$1,444,222	$1,467,834	$1,394,893	$1,359,362

	1968	1967	1966
Preferred Stockholders' Equity (Note 5)			
Capital stock, $1.20 cumulative, $25 par value			
Stock issued	$ 64,931	$ 66,977	$ 69,023
Less treasury stock at par value	(15,356)	(14,127)	(12,267)
Preferred stockholders' equity	$ 49,575	$ 52,850	$ 56,756
Common Stockholders' Equity (Notes 3 and 5)			
Capital stock, $4 par value			
Stock issued	$ 80,888	$ 80,886	$ 80,885
Capital in excess of par value of capital stock:			
Balance at beginning of year	69,022	68,948	68,948
Excess of approximate market value over par value of common stock issued as a stock dividend (1)	-	-	-
Excess of par value over cost of preferred stock purchased	579	70	-
Excess of proceeds over par value of stock issued under options	9	4	-
Balance at end of year	69,610	69,022	68,948
Retained earnings reinvested			
Balance at beginning of year	924,221	815,546	613,234
Net income for year	98,250	118,166	206,918
Cash dividends - preferred stock	(2,428)	(2,571)	(3,008)
- common stock	(14,544)	(6,920)	(1,598)
Stock dividends (1)	-	-	-
Property dividend	-	-	-
Balance at end of year	1,005,499	924,221	815,546
Less stock held in treasury, at cost	(21,003)	(440)	(265)
Common Stockholders' Equity	$ 1,134,994	$ 1,073,689	$ 965,114
Number of Shares			
Preferred Stock			
Authorized	2,679,083	2,679,083	
Issued	2,597,249	2,679,083	2,760,917
Less treasury stock	(614,249)	(565,069)	(490,869)
Outstanding at end of year	1,983,000	2,114,014	2,270,048
Common Stock			
Authorized	22,000,000	22,000,000	
Issued	20,221,848	20,221,374	20,221,149
Less treasury stock	(236,848)	(21,848)	(20,000)
Outstanding at end of year (2)	19,985,000	20,199,526	20,201,149
Stock Dividend (1)	-	-	-

(1) Stock dividend of pooled company prior to merger.

(2) Represents number of shares outstanding at each year end giving effect to the pooling of interests.

(Thousands of Dollars)

1965	1964	1963	1962	1961	1960	1959
$ 71,069	$ 73,115	$ 75,161	$ 77,206	$ 79,252	$ 61,613	$ 62,393
(956)	(751)	(771)	(1,539)	(1,732)	(2,335)	(780)
$ 70,113	$ 72,364	$ 74,390	$ 75,667	$ 77,520	$ 59,278	$ 61,613
$ 80,885	$ 80,885	$ 80,885	$ 80,885	$ 80,885	$ 80,885	$ 80,353
68,948	68,948	68,948	68,948	68,948	67,088	64,157
-	-	-	-	-	1,860	2,931
-	-	-	-	-	-	-
-	-	-	-	-	-	-
68,948	68,948	68,948	68,948	68,948	68,948	67,088
542,232	481,350	427,616	380,330	344,440	307,665	282,544
75,996	65,977	58,927	50,951	39,644	42,056	43,671
(3,396)	(3,497)	(3,595)	(3,665)	(3,754)	(2,889)	(2,984)
(1,598)	(1,598)	(1,598)	-	-	-	-
-	-	-	-	-	(2,392)	(3,438)
-	-	-	-	-	-	(12,128)
613,234	542,232	481,350	427,616	380,330	344,440	307,665
(265)	(265)	(265)	(265)	(226)	(226)	-
$ 762,802	$ 691,800	$ 630,918	$ 577,184	$ 529,937	$ 494,047	$ 455,106
Not Applicable Due to Merger						
2,842,751	2,924,585	3,006,419	3,088,253	3,170,087	2,464,512	2,495,708
(38,236)	(30,025)	(30,825)	(61,564)	(69,298)	(93,404)	(31,200)
2,804,515	2,894,560	2,975,594	3,026,689	3,100,789	2,371,108	2,464,508
Not Applicable Due to Merger						
20,221,149	20,221,149	20,221,149	20,221,149	20,221,149	20,221,149	20,088,127
(20,000)	(20,000)	(20,000)	(20,000)	(17,000)	(17,000)	-
20,201,149	20,201,149	20,201,149	20,201,149	20,204,149	20,204,149	20,088,127
-	-	-	-	-	133,022	126,687

GETTY OIL COMPANY
INCLUDING GETTY OIL COMPANY
AND WHOLLY-OWNED SUBSIDIARIES,
AND 100% OF MISSION CORPORATION
AND SKELLY OIL COMPANY

NOTES TO THE 1968 FINANCIAL STATEMENTS

NOTE 1 - PRINCIPLES OF CONSOLIDATION

The accounts of all domestic and foreign wholly owned subsidiaries and those of the majority subsidiary, Mission Corporation, and that company's subsidiary, Skelly Oil Company, have been consolidated in the accompanying financial statements. At December 31, 1968, the company owned a 70.53 percent interest in Mission Corporation and that company in turn owned a 71.31 percent interest in Skelly Oil Company, resulting in a 50.29 percent equity of Getty Oil in Skelly; the comparable equity interests at December 31, 1967, were, respectively, 69.72 percent, 71.01 percent, and 49.51 percent. The consolidated balance sheet of Getty Oil accordingly includes the accounts of Mission and Skelly, as follows:

	December 31 1968	December 31 1967
Skelly -		
Current assets	$119,478,000	$108,249,000
Investments, long-term receivables, and other assets	30,407,000	46,102,000
Property, facilities and equipment	485,904,000	451,470,000
Total assets	635,789,000	605,821,000
Current liabilities	81,296,000	67,938,000
Long-term debt	66,282,000	67,685,000
Deferred income	12,388,000	18,448,000
Total liabilities	159,966,000	154,071,000
Net assets of Skelly	475,823,000	451,750,000
Mission - Net assets, other than its interest in Skelly	963,000	904,000
Total net assets of Mission and Skelly	$476,786,000	$452,654,000

The equity of the minority stockholders of Mission and Skelly in the net assets of these companies was $237,150,000 at December 31, 1968, and $228,326,000 at the end of 1967; these amounts appear in the consolidated balance sheet on Page 12. The consolidated statement of income on Pages 8 and 9 includes all of the revenues, costs and expenses of Mission and Skelly. The equity therein of the minority stockholders of Mission and Skelly ($19,807,000 for 1968 and $22,489,000 for 1967) has been deducted in arriving at the amount shown as net income.

The company's equity in the net assets of all of its consolidated subsidiaries exceeded the cost of its investment by $230,225,000 at December 31, 1968. This is a net amount of which $238,066,000 representing the share in the subsidiaries' earnings since dates of acquisition has been credited in consolidation to retained earnings; the balance of $7,841,000 representing the excess of cost over underlying book value of the investments at dates of acquisition, less amortization to date,

has been charged to property, facilities and equipment. The company's investment in Vangas, Inc., a 71.21 percent owned subsidiary, has been adjusted to include its share of earnings retained by that company. Also included in the consolidated financial statements is the 50 percent interest of Skelly in the assets, liabilities and operations of an unincorporated joint venture.

Net foreign assets at the end of 1968 were $220,000,000 and net foreign income for 1968 was $11,000,000. Comparable income for 1967 was $20,000,000. Foreign subsidiaries' accounts reflected in the financial statements are expressed in United States dollars as follows: current assets and liabilities at the prevailing rates of exchange at December 31, 1968; investments and fixed assets at rates in effect when the assets were acquired; and the income accounts at the average rates of exchange during the year, except for depreciation charges which are calculated at rates in effect when the assets were acquired. The resulting gains or losses upon devaluation and conversion of foreign currencies are not significant and are included in net income.

Investments and advances included in net foreign assets above include a 49.7 percent interest in Mitsubishi Oil Company, a refiner and marketer of petroleum products in Japan. The company's equity at the end of 1968 in the net assets of Mitsubishi was approximately $8,217,000 in excess of the carrying value of its investment of $12,490,000. The company's share of the 1968 net income of Mitsubishi was approximately $1,737,000 as compared with dividends received of $1,104,000.

NOTE 2 - PROPERTY, FACILITIES AND EQUIPMENT

The segregation of property, facilities and equipment at December 31, 1968, by major operating function is as follows:

	Gross Investment	Reserves	Net Investment
Exploration and production	$1,561,663,000	$ 922,606,000	$ 639,057,000
Transportation	187,053,000	86,443,000	100,610,000
Manufacturing	392,302,000	181,970,000	210,332,000
Marketing	217,442,000	91,034,000	126,408,000
Natural gasoline plants	129,824,000	61,913,000	67,911,000
Other	77,503,000	26,904,000	50,599,000
Total	$2,565,787,000	$1,370,870,000	$1,194,917,000

The net investment in undeveloped oil and gas properties and leaseholds included above is $79,871,000. The costs of undeveloped leaseholds are amortized over the terms of the leases and to provide, based on company experience, for abandonment of those which may be unproductive.

Depreciation and depletion of the cost of developed oil and gas properties, including intangible drilling costs which are capitalized, are provided on a unit-of-production basis. Exploration costs and dry hole losses are substantially charged currently to income. It is not practicable to summarize depreciation and amortization rates (which are generally applied on a straight-line basis) applicable to other assets because of the variety of properties and numerous rates used. These rates are

reviewed annually and are revised as deemed necessary.

Properties retired or otherwise disposed of are removed from the property accounts. Gains and losses on disposition of complete units are reflected currently in income; however, if material, such gains and losses are classified as extraordinary items. Gains or losses on disposition or retirement of minor facilities or partial units are treated as adjustments of the reserve accounts. Replacement cost of major portions of facilities and all betterments are capitalized. Expenditures for maintenance, repairs and minor replacements are charged to operating expenses currently.

NOTE 3 - LONG-TERM DEBT

The long-term debt at December 31, 1968 and 1967, consisted of the following obligations:

	1968	1967
Getty Oil Company		
Sinking fund debentures, 3 1/2%, due April 1, 1986, net of $20,489,000 of debentures held in treasury at December 31, 1968, which may be used to satisfy semiannual sinking fund requirements of $1,250,000 beginning in October, 1969	$ 29,511,000	$ 33,176,000
Tanker financing notes, 3 5/8 to 5% payable in monthly and quarterly installments over 6 to 12 years	16,622,000	18,345,000
Bank notes, 3 1/4%, payable $5,000,000 semiannually through July, 1969	-	10,000,000
Other	3,275,000	1,652,000
	49,408,000	63,173,000
Skelly Oil Company		
Industrial revenue bonds, 3.8 to 5.5%, due 1970-1998	43,965,000	30,000,000
Notes payable, 6 to 6 3/4%, due 1970-1971	16,800,000	31,100,000
Other	5,517,000	6,585,000
	66,282,000	67,685,000
Total	$115,690,000	$130,858,000

In addition, indebtedness maturing within one year of $32,164,000 at December 31, 1968, and $8,855,000 at December 31, 1967, has been included in current liabilities.

The bank notes credit agreement and preferred stock issue contain provisions which restrict the payment of cash dividends on common stock and the purchase or redemption of such stock. At December 31, 1968, approximately $185,000,000 of consolidated retained earnings were restricted under the most restrictive of these provisions.

NOTE 4 - DEFERRED INCOME AND NONCURRENT RESERVES

	December 31	
	1968	1967
Sales of future oil production	$14,191,000	$19,510,000
Gain on sale of hotel property	10,467,000	10,467,000
Noncurrent reserves and other deferred income	14,808,000	12,086,000
Total	$39,466,000	$42,063,000

It is anticipated that the future oil production sold will be substantially produced during 1969 and will be recorded in income as produced.

The gain on the sale of the hotel property is recorded on the installment basis as payments on the principal are received; payments on principal have been waived until at least 1974.

NOTE 5 - CAPITAL STOCK

Under the sinking fund provisions of the preferred stock, the company is required to redeem at its $25 par value 40,917 shares on each January 10 and July 10. Alternatively, the sinking fund provisions may be satisfied from treasury stock previously purchased on the open market and, accordingly, 81,834 treasury shares were retired during 1968.

The only outstanding option to purchase Getty Oil common stock (474 shares) was exercised in 1968.

In addition, at December 31, 1968, Skelly had options outstanding for the purchase of 4,875 shares of its common stock under the terms of a Restricted Stock Option Plan. These options are exercisable at prices ranging from $22.80 to $28.80 per share and expire at varying dates through 1972. Under the provisions of the plan, as amended, additional options may be granted until 1970 for 20,000 shares at prices not less than the fair market value on the dates such options are granted. During 1968 and 1967, no options were granted, but options previously granted were exercised for 11,500 shares and 10,875 shares, respectively.

NOTE 6 - PENSIONS

The companies have several pension and retirement plans which provide for the funding of the costs of prior and current service through trust funds. The total pension expense was $9,023,000 in 1968 and $7,891,000 in 1967, which includes amortization of prior service cost over periods ranging from 10 to 30 years. Skelly Oil Company, a consolidated subsidiary, amended its retirement plan in 1967 to provide for increased benefits to employees. The past service costs applicable to this amendment will be spread over the average future service lives of all employees, actuarially computed under the aggregate method. The plans are entirely voluntary and may be modified or discontinued at any time by the companies. The totals of the pension funds as of December 31, 1968, are sufficient to cover the actuarially computed value of vested benefits under the plans.

NOTE 7 - TAXES, INCLUDING INCOME TAXES

	1968	1967
Operating taxes		
Property	$ 16,796,000	$ 15,438,000
Severance and production	14,032,000	13,265,000
Payroll and other	5,008,000	5,284,000
	35,836,000	33,987,000
Excise taxes	93,383,000	94,061,000
Income taxes		
Federal and state		
Current income taxes	6,874,000	19,801,000
Deferred income taxes	5,108,000	(911,000)
Investment tax credit	(5,270,000)	(5,688,000)
Foreign income taxes	7,836,000	9,824,000
	14,548,000	23,026,000
Total	$143,767,000	$151,074,000

Excise taxes collected have been included in sales and other operating revenues. Provision is made for applicable taxes on dividends, including those from subsidiaries, as received.

NOTE 8 - LITIGATION

The United States, through the Department of Justice, filed suit in 1966 under the antitrust laws to block the sale of the former Tidewater's western marketing and manufacturing assets and certain related transportation facilities to Phillips Petroleum Company. The sale was completed following the U.S. District Court's denial of the Department of Justice's motion for a temporary restraining order. Subsequently a motion for a preliminary injunction by the Department of Justice was also denied. The Department has stated that it intends to press the case. No trial date has been set.

The Federal Power Commission's assertion of jurisdiction over the 1961 sale of certain federal leases in Ship Shoal Block 176, offshore Louisiana, by the CAGC group, in which the company has a 25 percent interest, was sustained by the United States Supreme Court in June, 1967. A proposal for modification of the terms of the sale to achieve a transaction which the CAGC group and the purchasing company believe should be acceptable to the commission has been submitted for the commission's approval. No action has been taken by the commission on the proposal. If the proposal is approved, the ultimate consideration to be received by the company in respect of such sale will be reduced. The effect of the proposed settlement on the company's income has been recorded in the 1968 accounts and, in anticipation of the acceptance of the proposed settlement, the balance of the gain on the 1961 sale, which was previously carried as deferred income, has been offset against the related note receivable.

NOTE 9 - COMMITMENTS AND CONTINGENT LIABILITIES

Minimum annual rentals under long-term leases, principally for the crude oil pipeline in California, tankers and service stations, but excluding oil and gas leases, are estimated to be $16,300,000 in 1969. The net fixed annual rentals on

these leases are not expected to differ significantly through 1971; thereafter, it is estimated that the level of annual rentals will be ruduced to about $12,000,000 as the result of the expiration of various lease agreements which are presently anticipated to expire in 1972.

There are contingent liabilities with respect to other pending litigation, claims, commitments, etc., the settlement of which will not, in the opinion of the companies concerned, result in any material loss.

GETTY OIL COMPANY

CONSOLIDATED OPERATING STATISTICS

INCLUDING GETTY OIL COMPANY
AND WHOLLY-OWNED SUBSIDIARIES,
AND 100% OF MISSION CORPORATION
AND SKELLY OIL COMPANY

	1968 Gross	1968 Net	1967 Gross	1967 Net	1966 Gross	1966 Net	1965 Gross	1965 Net
Exploratory Wells Completed								
United States								
Producing	63	31.2	89	44.2	112	55.5	116	72.1
Dry	115	57.5	110	61.3	120	64.2	120	54.1
Total	178	88.7	199	105.5	232	119.7	236	126.2
Canada								
Producing	4	1.3	-	-	1	1.0	1	1.0
Dry	3	1.0	2	1.3	1	.4	6	4.5
Total	7	2.3	2	1.3	2	1.4	7	5.5
Other Foreign								
Producing	-	-	-	-	1	.5	-	-
Dry	2	.6	-	-	2	2.0	1	.1
Total	2	.6	-	-	3	2.5	1	.1
Total Exploratory Wells	187	91.6	201	106.8	237	123.6	244	131.8
Development Wells Completed (1)								
United States								
Producing	987	610.0	720	479.9	668	459.5	455	273.2
Dry	72	31.0	59	29.5	44	21.4	44	28.7
Total	1,059	641.0	779	509.4	712	480.9	499	301.9
Canada								
Producing	10	.4	-	-	2	-	1	.5
Dry	-	-	-	-	-	-	-	-
Total	10	.4	-	-	2	-	1	.5
Other Foreign								
Producing	2	1.0	18	7.5	8	2.5	2	.2
Dry	1	.1	-	-	-	-	1	.1
Total	3	1.1	18	7.5	8	2.5	3	.3
Total Development Wells	1,072	642.5	797	516.9	722	483.4	503	302.7
Total Wells Completed	1,259	734.1	998	623.7	959	607.0	747	434.5

(1) Excludes input or salt water disposal wells.

1964		1963		1962		1961		1960		1959	
Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
101	48.3	77	40.2	96	44.7	97	47.3	94	51.1	135	96.7
98	58.5	80	48.7	92	58.5	95	51.1	93	53.5	138	92.7
199	106.8	157	88.9	188	103.2	192	98.4	187	104.6	273	189.4
5	3.5	4	1.7	5	3.5	4	2.6	18	12.5	16	14.5
2	1.5	13	7.4	7	6.9	9	6.1	17	7.0	18	6.6
7	5.0	17	9.1	12	10.4	13	8.7	35	19.5	34	21.1
-	-	-	-	-	-	-	-	-	-	-	-
2	.2	4	1.2	10	2.3	6	2.6	2	.7	9	1.9
2	.2	4	1.2	10	2.3	6	2.6	2	.7	9	1.9
208	112.0	178	99.2	210	115.9	211	109.7	224	124.8	316	212.4
465	269.4	476	306.9	393	231.4	497	278.1	590	430.8	705	476.9
40	23.8	36	18.5	33	17.6	42	18.5	52	26.9	75	39.6
505	293.2	512	325.4	426	249.0	539	296.6	642	457.7	780	516.5
3	2.2	23	6.5	16	3.8	38	11.5	75	46.9	44	30.2
-	-	4	1.1	8	3.7	3	.8	1	.5	5	1.1
3	2.2	27	7.6	24	7.5	41	12.3	76	47.4	49	31.3
1	.1	16	6.1	90	45.0	95	47.5	80	40.0	37	18.5
-	-	1	.1	-	-	-	-	-	-	-	-
1	.1	17	6.2	90	45.0	95	47.5	80	40.0	37	18.5
509	295.5	556	339.2	540	301.5	675	356.4	798	545.1	866	566.3
717	407.5	734	438.4	750	417.4	886	466.1	1,022	669.9	1,182	778.7

EXPLORATION AND PRODUCTION DATA

	1968	1967	1966
Net Prospective Acreage Acquired During Year			
United States - Onshore	565,007	461,749	402,565
- Offshore	11,141	38,417	9,549
Total United States	576,148	500,166	412,114
Canada	6,721	13,942	9,209
Other Foreign	1,379,045	-	-
Total	1,961,914	514,108	421,323
Acreage Holdings (Net) at December 31			
Producing - Oil and Gas - U.S.	1,143,910	1,102,880	1,072,615
- Foreign	75,650	83,928	83,293
Minerals - U.S.	21	21	15
- Foreign	-	192	192
Prospective - Oil and Gas - U.S.	2,171,251	2,510,719	3,146,542
- Foreign (1)	2,171,693	796,903	787,114
Minerals - U.S.	302,683	234,114	96,069
- Foreign	121,600	122,814	123,170
Total	5,986,808	4,851,571	5,309,010
Net Wells Owned at December 31 (2)			
Producing			
Oil	11,878.6	11,918.8	11,904.5
Gas	1,282.0	1,290.4	1,267.2
Total Producing	13,160.6	13,209.2	13,171.7
Shut-in			
Oil	2,506.9	2,362.7	2,402.7
Gas	212.6	222.6	191.4
Total Shut-in	2,719.5	2,585.3	2,594.1
Total Net Wells Owned	15,880.1	15,794.5	15,765.8

(1) Excludes Skelly's one-third interest in a concession to prospect for oil and gas within a 16 million acre area in Mozambique in East Africa.

(2) Excludes input or salt water disposal wells.

1965	1964	1963	1962	1961	1960	1959
817,301	496,159	630,859	781,860	1,216,148	1,018,733	1,220,275
24,689	1,607	-	16,755	902	41,546	1,058
841,990	497,766	630,859	798,615	1,217,050	1,060,279	1,221,333
29,860	10,528	26,147	402,479	78,897	40,700	18,536
-	77,772	2,158,908	-	-	-	-
871,850	586,066	2,815,914	1,201,094	1,295,947	1,100,979	1,239,869
1,048,491	997,356	960,905	944,338	955,824	920,468	921,928
80,023	79,961	102,650	63,359	62,914	62,604	60,501
15	15	15	15	15	-	-
-	-	-	-	-	-	-
3,481,287	3,779,181	4,594,280	5,796,665	6,337,624	6,963,366	7,631,075
799,276	713,192	815,566	872,532	866,159	819,966	996,466
30,092	108,209	22,252	13,027	4,058	4,073	12,961
78,986	77,772	2,133,333	-	-	-	-
5,518,170	5,755,686	8,629,001	7,689,936	8,226,594	8,770,477	9,622,931
11,820.9	11,404.5	11,062.2	11,224.3	11,363.3	10,792.7	10,704.7
1,202.4	1,170.1	1,097.1	998.0	929.1	957.6	916.5
13,023.3	12,574.6	12,159.3	12,222.3	12,292.4	11,750.3	11,621.2
2,381.1	2,054.2	1,802.2	2,234.8	1,997.0	1,894.9	1,737.3
212.4	200.7	204.2	220.4	183.2	174.1	187.5
2,593.5	2,254.9	2,006.4	2,455.2	2,180.2	2,069.0	1,924.8
15,616.8	14,829.5	14,165.7	14,677.5	14,472.6	13,819.3	13,546.0

EXPLORATION AND PRODUCTION DATA

	1968	1967
Net Production (Crude Oil) - Thousands of Barrels		
California	32,132	31,034
Illinois - Indiana	735	863
Louisiana - Onshore	7,741	7,599
- Offshore	5,927	4,508
New Mexico	4,542	4,921
Oklahoma	8,121	8,319
Texas	20,476	19,762
Other States	8,973	7,158
Total Crude Oil (U.S.)	88,647	84,164
Algeria	1,726	3,318
Canada	1,221	1,064
Iran	6,890	6,333
Saudi Arabia - Kuwait Neutral Zone	23,192	25,129
Total Crude Oil (Foreign)	33,029	35,844
Total Crude Oil (Thousands of Barrels)	121,676	120,008
Barrels Daily	332,451	328,790
Natural Gas Liquids - Thousands of Barrels	23,271	20,045
Barrels Daily - Getty Oil Company (1)	28,548	27,082
- Skelly Oil Company (2)	35,037	27,834
Total Barrels Daily	63,585	54,916
Total Liquids (U.S. and Foreign) (M Barrels)	144,947	140,053
Barrels Daily	396,036	383,706
Natural Gas - Million Cubic Feet	379,848	351,866
Thousand Cubic Feet Daily	1,037,837	964,017
Net Reserves at December 31 (3) (4)		
Crude Oil and Natural Gas Liquids - Thousands of Barrels		
Crude Oil - United States	1,254,000	1,220,000
- Foreign	815,000	863,000
Natural Gas Liquids - U.S.	94,000	117,000
Total - U.S. and Foreign	2,163,000	2,200,000
Natural Gas - Billion Cubic Feet	3,400	3,361
Ratio of U.S. Net Proved Reserves to Yearly Production (3) (4)		
Net Liquids Production - U.S.	19.07	19.80
Net Gas Production - U.S.	14.25	15.36

(1) Natural gas liquids production of Getty Oil Company and wholly owned subsidiaries represents total quantities recovered from natural gas processed from Getty Oil lease interests.

(2) Natural gas liquids production of Skelly Oil Company represents quantities produced by gas processing plants in which Skelly has an ownership interest, multiplied by Skelly's percentage interest in the respective plants. Only a portion of these liquids is attributable to Skelly lease production.

(3) Recoverable reserves are presented above for Getty Oil Company and wholly owned subsidiaries. Reserve estimates are principally those of DeGolyer and MacNaughton, with minor amounts in 1965 and prior years included based upon estimates of company engineers. Natural gas liquids reserves include condensate and represent the net quantity of liquids allocable to the company's lease interest in gas delivered to processing plants.

(4) Net proved reserves of Skelly Oil Company are not included in the above statistics. In Skelly's 1968 Annual Report the net proved reserves of that company at December 31, 1968, as estimated by DeGolyer and MacNaughton, were presented as follows:

1966	1965	1964	1963	1962	1961	1960	1959
28,047	23,447	17,880	17,078	16,810	16,655	15,653	15,581
981	1,048	1,139	1,094	1,191	1,233	1,247	1,285
6,631	5,732	5,068	5,041	5,284	4,700	4,084	4,238
3,579	2,620	2,602	2,445	2,219	2,067	2,005	1,491
4,959	4,389	4,454	4,383	4,494	4,904	5,132	5,315
8,139	7,640	7,329	6,952	6,813	6,513	5,831	5,532
18,286	16,586	16,138	15,635	15,717	16,884	17,704	19,263
5,983	5,988	5,528	5,813	6,249	6,542	6,826	7,012
76,605	67,450	60,138	58,441	58,777	59,498	58,482	59,717
2,506	748	778	157	-	-	-	-
1,063	1,095	1,297	2,965	2,941	2,730	2,371	1,782
5,783	5,234	4,767	4,356	3,902	3,406	2,507	2,547
30,206	33,012	34,095	33,127	33,660	28,703	24,915	21,219
39,558	40,089	40,937	40,605	40,503	34,839	29,793	25,548
116,163	107,539	101,075	99,046	99,280	94,337	88,275	85,265
318,255	294,627	276,918	271,358	272,000	258,457	241,189	233,604
19,066	18,679	18,175	17,936	16,972	16,382	14,719	14,030
27,343	26,394	26,491	25,906	23,400	21,419	17,915	16,734
24,892	24,781	23,302	23,235	23,099	23,464	22,203	21,705
52,235	51,175	49,793	49,141	46,499	44,883	40,118	38,439
135,229	126,218	119,250	116,982	116,252	110,719	102,994	99,295
370,490	345,802	326,711	320,499	318,499	303,340	281,307	272,043
324,726	311,545	300,352	281,428	260,355	255,709	259,412	248,245
889,661	853,548	820,634	771,036	713,301	700,572	708,775	680,124
1,198,000	1,176,000	672,000	608,000	577,000	581,000	569,000	591,000
801,000	711,000	774,000	684,000	654,000	762,000	764,000	765,000
109,000	114,000	122,000	108,000	114,000	121,000	111,000	108,000
2,108,000	2,001,000	1,568,000	1,400,000	1,345,000	1,464,000	1,444,000	1,464,000
3,342	3,150	3,221	3,244	3,369	3,536	3,489	3,537
21.06	23.66	16.78	15.64	15.24	15.65	15.96	16.45
16.54	16.56	17.80	19.43	22.36	24.31	23.91	26.68

(a) Recoverable from Skelly lease interests	
Crude oil and condensate, millions of barrels	426.5
Natural gas liquids, millions of barrels	8.4
Total liquids	434.9
Natural gas, billions of cubic feet	1,871.0
(b) Natural gas liquids recoverable from Skelly plant interests, millions of barrels	134.2

Natural gas liquids reserves recoverable from lease interests represent the net quantity of liquids allocable to Skelly's lease interests in gas committed to processing plants.

The major portion of the natural gas liquids reserves recoverable from plant interests is committed to Skelly under purchase contracts of varying terms with other gas producers. The reserves in this category represent the quantities committed to the gas processing plants in which Skelly has an ownership interest, multiplied by Skelly's percentage ownership interest in the respective plants, but without reduction for the portion of the liquids (typically 25 or 30 percent) attributable to the other gas producers' lease interests. Only a minor portion of these reserves is recoverable from Skelly leases; the portion attributable to such leases is included in the lease interest reserve category.

Reserve data on a consistent basis is not available for prior years.

	1968	1967	1966
Miles of Pipe Line at December 31			
Texas-New Mexico Pipe Line Company (10% Owned)			
Gross Miles	4,598	4,598	4,605
Net Miles	460	460	461
Company Owned - Net (1)	4,441	4,325	4,104
Total Company Owned - Net	4,901	4,785	4,565
Ocean Tankers at December 31			
Owned or Controlled - Number	20	18	18
- Deadweight Tonnage	1,037,889	877,732	847,181
Chartered from Others - Number	4	4	4
- Deadweight Tonnage	148,677	141,214	141,214
Total Deadweight Tonnage	1,186,566	1,018,946	988,395
Tank Cars at December 31	236	273	340
Raw Materials Processed - Barrels Daily			
Thruput - Own Refineries			
For Own Account			
Crude Oil	162,746	169,955	226,086
Other Unfinished Stock	30,294	36,556	43,648
Total for Own Account	193,040	206,511	269,734
Crude Oil Processed for Others	38,847	38,708	37,318
Total Thruput - Own Refineries	231,887	245,219	307,052
Crude Oil Run by Other Refineries	12,000	3,000	3,000
Total Thruput	243,887	248,219	310,052
Percent net production total liquids to refinery thruput (excluding materials processed for others)	182.8	186.1	137.0
Product Yields - Percent of Total Processed			
Gasoline	44.2	47.3	47.9
Distillate Fuels and Kerosene	34.3	26.4	22.4
Residual Fuel	11.3	16.3	18.1
All Others, including gains/losses	10.2	10.0	11.6
Total	100.0	100.0	100.0

(1) Includes company's percentage of jointly owned lines.

1965	1964	1963	1962	1961	1960	1959
4,638	4,631	4,611	4,580	4,504	4,433	4,273
464	463	461	458	450	443	427
3,887	3,837	3,930	3,670	3,079	3,123	3,177
4,351	4,300	4,391	4,128	3,529	3,566	3,604
25	23	22	20	23	22	21
1,264,990	1,137,808	996,554	771,132	808,696	762,327	689,631
4	5	7	9	9	10	11
140,507	187,752	261,737	322,264	321,905	355,318	355,554
1,405,497	1,325,560	1,258,291	1,093,396	1,130,601	1,117,645	1,045,185
493	542	930	979	1,052	1,082	1,112
255,030	265,395	271,591	304,979	321,006	299,761	279,108
46,810	43,601	42,244	34,982	39,019	38,445	34,432
301,840	308,996	313,835	339,961	360,025	338,206	313,540
34,052	27,535	40,860	42,960	8,034	4,291	6,183
335,892	336,531	354,695	382,921	368,059	342,497	319,723
3,000	3,000	4,742	-	-	-	-
338,892	339,531	359,437	382,921	368,059	342,497	319,723
114.3	104.6	102.1	94.9	85.4	84.0	87.5
50.5	48.8	45.2	42.2	41.4	43.3	44.4
21.1	20.4	21.9	23.3	24.2	23.5	22.4
15.9	18.2	19.5	22.2	21.7	21.4	22.2
12.5	12.6	13.4	12.3	12.7	11.8	11.0
100.0	100.0	100.0	100.0	100.0	100.0	100.0

MARKETING AND MISCELLANEOUS DATA

	1968	1967	1966
Sales			
Refined Products - Thousands of Barrels			
Gasoline	32,270	33,612	48,620
Distillate Fuels and Kerosene	21,792	20,025	23,690
Residual Fuel	18,654	18,390	18,034
All Others	26,232	26,259	30,289
Total Refined Products	98,948	98,286	120,633
Crude Oil - Thousands of Barrels	186,985	175,282	152,004
Natural Gas - Million Cubic Feet	392,275	365,021	337,807
Total Retail Outlets at December 31			
Service Stations Owned	1,805	1,978	2,037
Service Stations Leased from Others	895	714	807
Other Retail Outlets	7,489	8,142	8,608
Total Outlets Handling Company Products	10,189	10,834	11,452
Bulk Plants and Terminals at December 31			
Owned	418	481	421
Leased from Others	95	48	118
Total	513	529	539
Tankage - Thousands of Barrels			
Crude Oil	18,911	17,930	18,693
Refined Products	18,057	19,447	18,352
Total	36,968	37,377	37,045
Employees and Payroll			
Number of Employees	12,974	12,940	13,053
Payroll for Year - Thousands of Dollars	104,650	96,939	104,740
Number of Shareholders at December 31			
Preferred (1)	7,207	7,085	8,050
Common	21,138	21,205	
Common Stock - Per Share			
Market Value - High	$110-1/4	$105-7/8	$55-3/4
- Low	$ 80-1/4	$ 49-3/4	$34-5/8
Preferred Stock - Per Share (1)			
Market Value - High	$ 21-1/2	$ 24-3/8	$25-1/2
- Low	$ 18-7/8	$ 19-1/8	$24-5/8

(1) On September 30, 1967 each of the 2,679,083 shares of Tidewater Preferred Stock outstanding was converted into one share of a new Getty Preferred Stock.

1965	1964	1963	1962	1961	1960	1959
56,024	57,946	55,194	57,193	58,055	55,242	50,253
25,561	26,349	28,424	29,407	27,582	27,280	22,376
16,969	16,765	17,035	20,459	16,742	15,212	12,812
31,204	29,792	28,009	25,983	28,475	24,078	21,431
129,758	130,852	128,662	133,042	130,854	121,812	106,872
124,276	109,128	99,003	92,708	82,265	75,491	70,954
326,140	316,637	299,843	276,772	266,674	268,073	258,137
2,876	2,891	2,905	2,506	2,534	2,272	2,123
2,158	2,250	2,345	2,716	2,698	2,755	2,560
11,454	11,963	12,184	11,475	11,648	11,693	11,530
16,488	17,104	17,434	16,697	16,880	16,720	16,213
559	570	574	606	628	609	613
222	227	233	213	194	191	185
781	797	807	819	822	800	798
21,702	20,798	21,351	18,580	19,109	18,442	18,770
34,648	35,116	33,588	39,323	34,040	32,278	32,485
56,350	55,914	54,939	57,903	53,149	50,720	51,255
14,840	14,703	14,732	15,056	15,258	15,584	16,606
109,049	105,882	105,500	102,500	102,180	98,942	101,716
8,673	9,247	10,145	10,209	10,659	7,443	7,421
Not Applicable Due To Merger						
$38-1/2	$31-7/8	$27-1/2	$20	$21	$19-7/8	$28-1/4
$21-5/8	$22-1/8	$17-1/2	$12-1/8	$14-3/4	$12-1/4	$17-1/8
$25-1/2	$25-1/2	$25-5/8	$25-1/4	$24-3/8	$23-3/8	$24
$24-3/4	$24-3/4	$24-3/4	$23-5/8	$20-7/8	$20-3/8	$21

CONSOLIDATED SUBSIDIARIES
DECEMBER 31, 1968

Name	Ownership	Incorporated Location	Incorporated Date
Tanker			
Gettymar Corporation	100.00%	Liberia	8-7-58
Getty Tankers, Ltd.	100.00%	Liberia	9-13-54
Hemisphere Transportation Corporation	100.00%	Liberia	11-28-55
Liberian Operations, Inc.	100.00%	Liberia	4-2-63
Liberian Operations Limited	100.00%	England	5-22-63
Transoceanic Shipping Corporation	100.00%	Liberia	6-18-55
Pipeline			
Getty Pipe Line Company	100.00%	Texas	8-1-52
Getty Pipe Company	99.99%	Pennsylvania	11-22-78
Exploration-Production			
Getty International (Iran), Inc.	100.00%	Liberia	3-10-64
Getty Iran Ltd.	100.00%	Delaware	4-21-55
Getty Minerals S.W.A. (Proprietary) Limited	99.00%	S. W. Africa	3-20-64
Getty Oil Co., Ltd.	99.96%	Canada	3-23-48
Getty Petroleum Company	100.00%	Liberia	12-12-62
Marketing			
Getty Oil Company (Philippines) Inc.	100.00%	Philippines	7-30-65
Getty Oil International Limited	100.00%	Bahama Islands	1-29-65
Getty Oil International (Services) Limited	100.00%	Bahama Islands	1-29-65
Seaside Oil Corporation	100.00%	Delaware	12-21-60
S. P. Oil Company, Ltd.	100.00%	England	4-4-29
Veedol Espanola S.A.	100.00%	Spain	7-8-68
Veedol G.m.b.H.	100.00%	Germany	4-16-25
Veedol Oil Company (Canada) Ltd.	100.00%	Canada	4-10-31
Veedol Petroleum International A.G.	100.00%	Switzerland	1-26-61
Huiles Veedol France S.A.	99.50%	France	6-26-61

CONSOLIDATED SUBSIDIARIES
DECEMBER 31, 1968

Name	Ownership	Incorporated Location	Incorporated Date
Manufacturing-Marketing			
Dansk Veedol A/S	100.00%	Denmark	9-22-59
Lolland-Falsters Nafta Benzin A/S	100.00%	Denmark	5-8-31
Getty Oil Italiana S.p.A.	100.00%	Italy	10-2-53
Lubrificanti Veedol S.p.A.	100.00%	Italy	10-17-60
Other			
Club Pierre Marques, S.A.	99.99%	Mexico	11-11-49
Impulsora de Revolcadero S.A.	99.99%	Mexico	10-28-49
Getty Abu Dhabi, Ltd.	100.00%	Delaware	4-8-68
Mission Corporation	70.53%	Nevada	12-31-34
Skelly Oil Company*	50.29%	Delaware	8-20-19
Pacific Western Oil Corporation	100.00%	Delaware	5-21-56
Sutton Place Property Company, Limited	100.00%	England	12-16-59
Inactive			
Associated Oil Company	100.00%	California	11-30-36
Getty Mediterranean, Inc.	100.00%	Delaware	9-9-63
Getty Oil G.m.b.H.	100.00%	Germany	10-4-57
Tidewater Oil Company	100.00%	Delaware	12-3-65
Wholly-owned Subsidiaries of Skelly Oil Co. *			
Chembond Corporation	50.29%	Oregon	2-18-65
Skelly Leasing Company	50.29%	Delaware	2-17-66
Skelly Oil Company of Iran	50.29%	Liberia	12-3-64
Skelly Oil Company of Iran	50.29%	Delaware	8-26-65
Skelly Oil Company of Libya	50.29%	Delaware	8-22-60
Skelly Mozambique Oil Company	50.29%	Delaware	7-25-67
Skelly Pipe Line Company	50.29%	Delaware	6-20-63
Vancouver Plywood Company	50.29%	Washington	7-29-33

* Percentage of ownership (50.29%) represents net equity interest in Skelly Oil Company owned by Getty Oil Company through its 70.53% ownership of Mission Corporation.

OFFICERS

J. PAUL GETTY
President

GEORGE F. GETTY II
Executive Vice President

J. EARLE GRAY
Group Vice President
Exploration and Production

HEINN F. TOMFOHRDE, JR.
Group Vice President
Marketing, Manufacturing
Transportation and Finance

CHARLES F. KRUG
Vice President
and Secretary

H. E. BERG
Vice President
General Manager
Western Division

JACK D. JONES
Vice President
General Manager
Eastern Division

THOMAS G. KELLIHER
Group Vice President
General Manager
Mid-Continent Division

CHARLES D. SIGNORELLI
Vice President
and Controller

RICHARD A. NY
Treasurer

DIRECTORS

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Partner,
Eastman Dillon, Union Securities and Company
Director:
Food Fair Properties, Inc.
Food Fair Stores, Inc.

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Executive Vice President,
Getty Oil Company
Director:
American Petroleum Institute
Bank of America NT&SA
Los Angeles World Affairs Council
National Petroleum Council
Southern California Symphony-Hollywood Bowl Assn.
The Los Angeles Club

J. PAUL GETTY
President, Getty Oil Company

J. EARLE GRAY
Group Vice President
Getty Oil Company

C. LANSING HAYS, JR.
Partner,
Hecht, Hadfield, Hays, Landsman & Head

THOMAS G. KELLIHER
Group Vice President,
Getty Oil Company
Director:
St. Joseph's Hospital, Houston, Texas

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Chairman of the Board and Chief Executive Officer,
Security Pacific National Bank
Director:
ACSC Management Services, Inc.
Association of Reserve City Bankers
Episcopal Home for the Aged
Hospital of the Good Samaritan
North American Rockwell Corp.
Pacific Mutual Life Insurance Co.
Southern California Edison Co.
The Music Center Operating Co.

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Greater Los Angeles Urban Coalition
Merchants & Manufacturers Assn.
Stanford Research Institute

JOHN M. SCHIFF
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Kuhn, Loeb & Co., New York
Director:
C.I.T. Financial Corp.
Great Atlantic & Pacific Tea Co.
Kennecott Copper Corp.
Los Angeles & Salt Lake Railroad Co.
Madison Fund, Inc.
Uniroyal, Inc.
Westinghouse Electric Corp.

JOSEPH A. THOMAS
Partner,
Lehman Brothers
Director:
Black and Decker Mfg. Co.
Cluett, Peabody & Co. Inc.
Del E. Webb Corp.
Flintkote Company, Inc.
Golden West Baseball Co.
Halliburton Co.
Head Ski Company, Inc.
Hercules Incorporated
Lehman Brothers International, Ltd.
Litton Industries, Inc.
Los Angeles Rams, Inc.
Pan American World Airways

HEINN F. TOMFOHRDE, JR.
Group Vice President,
Getty Oil Company
Director:
National Petroleum Refiners Assn.

TRANSFER AGENTS	First National City Bank Corporate Trust Department 399 Park Avenue New York, New York 10022
	Security Pacific National Bank Corporate Trust and Agency Division 124 West Fourth Street Los Angeles, California 90054
	Crocker-Citizens National Bank Stock Transfer Department Rincon Annex, Box 3725 San Francisco, California 94120
REGISTRARS	The Chase Manhattan Bank, NA Agency Division 1 Chase Manhattan Plaza New York, New York 10015 (Effective April 1, 1969)
	Bank of America, NT&SA Corporate Agency Division 1 South Van Ness Avenue San Francisco, California 94120
	Bank of America, NT&SA Corporate Agency Division 111 West Seventh Street Los Angeles, California 90014

PRINCIPAL OFFICES	3810 Wilshire Boulevard, Los Angeles, California 90005 660 Madison Avenue, New York, New York 10021 815 Walker Avenue, Houston, Texas 77001 Mina Saud, Saudi Arabia-Kuwait Neutral Zone Riyadh, Saudi Arabia
FISCAL YEAR	Ends - December 31
ANNUAL MEETING	of stockholders will be held at 10 a.m. Thursday, May 1, 1969, at the offices of Corporation Trust Company, 100 West Tenth Street, Wilmington, Delaware.
AUDITORS	Arthur Andersen & Company 1320 West Third Street Los Angeles, California 90017